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## PROGRESS OF PEKING

By Robert C. North

The Eighth Congress of the Chinese Communist Party, convened in Peking last September, was the first held since 1945. Reviewing developments in this crucial eleven-year span of Chinese communism, Mao Tse-tung declared in an opening address that despite mistakes, his cadres on the whole had done their work "correctly":—"Since the Seventh Congress we have in this great country with its vast territory, huge population, and complex conditions, completed a bourgeois democratic revolution, and we have also gained a decisive victory in the socialist revolution." The task now facing the CCP, according to Mao, is to complete the transformation of China from a backward agricultural country into an industrialized socialist society. The Chinese Communist leader described this undertaking as similar to that which had faced the Soviet Union in the early years of its history. "So we must be good at studying," he said. "We must be good at learning from our forerunner."

The mood of the Congress was at once self-congratulatory and self-critical. In an atmosphere of a religious revival meeting, Communist leaders one after the other hailed party successes, condemned weaknesses of past performance, and enlarged upon Mao Tse-tung's presentation of tasks ahead.

### Yenan and Cheng-feng

When the Seventh Congress met at Yen-an (April 23-June 11, 1945) Chiang Kai-shek's government had its seat at Chungking, Japanese forces controlled large areas of China, and the Chinese Communists, taking what advantage they could of the confusion, were consolidating their strength in Border Region Governments situated, for the most part, in the Northwest. Mao was already long established as the undisputed leader of the Chinese

Communist movement. Until the early 1930's Moscow had controlled the Chinese leadership, indeed had directed every twist and turn of the Chinese Communist line. In succeeding years, however, Kremlin interest in the movement had lessened somewhat, and leaders on the scene in China had gained power through their own abilities rather than through Soviet sponsorship. During this period Mao Tse-tung and Chang Kuo-t'ao, rivals in the struggle for power, led separate columns of the Long March from Kiangsi to far-off Yen-an and vicinity. There Mao asserted his supremacy and, with Moscow's concurrence, eliminated Chang Kuo-t'ao from the party.

At Yen-an, in 1942, Mao initiated the Cheng-feng movement to "correct undesirable and erroneous tendencies." Basing his arguments on Marxist-Leninist-Stalinist texts from the Soviet Union, he attacked party dogmatists (who relied on theory rather than action); empiricists (who refused to understand the importance of theory); and sectarians (men like Chang Kuo-t'ao who had "placed the individual first and the party second"). The responsibilities of the Communist Party member were stated precisely: he should have only party interests in mind and no individual purpose. As Liu Shao-ch'i, now regarded as China's number two leader, put it at the time: "When contradictions arise between the interest of the party and the individual, we can, without the slightest hesitation or feeling of compulsion, submit to party interests and sacrifice the individual".

The Cheng-feng movement adapted Soviet Russian political theories and techniques to Chinese conditions. Beyond this, Mao used the movement as a purge: through it a group of high party leaders fell from power. Finally, Cheng-feng was an in-



strument for destroying traditional Chinese morality in favor of a Communist code of ethics and behavior, for probing the very depths of the human psyche in order to "remold" the individual party member into a being different from what he had been before.

The influence of Cheng-feng was reflected in the revised party constitution drafted by Liu Shao-ch'i and adopted at the seventh CCP Congress in 1945. According to the Preamble: "The CCP takes the theories of Marxism-Leninism and the combined practices derived from the practical experience of the Chinese revolution—the ideas of Mao Tse-tung—as the guiding principles of all its work."

Today—as proceedings of the Eighth Congress reveal—Chinese Communist leaders are still concerned with techniques of the Cheng-feng movement and with "remolding" the personalities of their followers.

#### Program for Power

Events moved rapidly for the Chinese Communists. By the end of 1949, with the aid of Japanese arms turned over to them by the Soviets, they had expelled Chiang Kai-shek's Nationalist government from the Chinese mainland. On October 1, 1949, Mao Tse-tung proclaimed the People's Republic of China operating under a provisional constitution based on the Soviet model. He admitted that it was a dictatorship of the Communist variety: "To hostile classes the state apparatus is an instrument of oppression," he said. "It is violent and not benevolent." The right of "reactionaries" (in effect, anyone who opposed the regime) to voice their opinions had to be abolished. This was the political essence of the "new democracy". A new constitution, approved in September 1954 and containing a "fundamental law" to cover the transition to Bolshevik socialism, merely confirmed the course which had been indicated in the provisional document.

One of the first undertakings of the new regime was implementation of Mao's agrarian program. In all its fundamentals, Chinese Communist "land reform"—like that of the Soviets twenty years earlier—was class warfare applied to the countryside, and not in any sense a terminal economic "solution" to the basic imbalance between under-productivity and an intense and rapidly increasing population. The "struggle against the landlord" received first emphasis: his draft animals, farm implements, and surplus grain were confiscated, his land redistributed—for the time being, at least—among the poor peasants. Collectivization of peasant agriculture was to come in the future.

A primary instrument for the carrying out of Chinese agrarian reform was the People's Tribunal, which had the power to arrest and detain citizens almost at will, imposing sentences which included

confiscation of property and capital punishment. In two or three years life on the countryside was completely disrupted and reshaped along the Communist pattern of rigid control.

Meanwhile, the Chinese Communists were equally busy neutralizing opposition in other segments of the population. On February 21, 1951, Mao Tse-tung called for the "timely and rigorous" suppression of all counterrevolutionary activities, and his government listed more than a score of crimes—looting, wrecking, disturbing market conditions, conducting counterrevolutionary propaganda, plotting, spying, organizing jail breaks and many others—each one of which was punishable by imprisonment, life imprisonment or death. Since the law operated retroactively, Mao himself could have been convicted under it—for past collaboration with the Kuomintang, if for nothing else. With grim and unconscious humor the *Men-min Shou-ts'e* (Current Affairs Journal) offered the following analysis of execution as one of the methods (along with control and imprisonment) of suppression: "Execution means fundamental physical elimination of counterrevolutionaries and is, of course, the most thorough and severe measure of depriving counterrevolutionaries of their conditions for counterrevolutionary activities."

As agrarian reform progressed, Chinese Communist leaders tightened their control over the government apparatus through the "3-Anti" campaign against corruption, decay and bureaucracy. In applying this program in the Northwest, Kao Kang, at the time the fifth-ranking leader in the party hierarchy, decreed: "The following shall be accomplished during the present campaign... Purge all departments of corruption, waste and bureaucracy. Cases of corruption and waste shall be given penalties ranging from dismissal, prison terms, and labor reform to the death sentence."

Precisely how many Chinese were executed under these laws cannot be fixed, but even the most conservative estimates run into several millions. Later Kao Kang himself was purged "for conspiratorial activities aimed at seizing the reins of leadership of the party and the state." The expulsion, announced in 1955 and discussed with satisfaction before the Eighth Congress by Liu Shao-ch'i, seemed superfluous since Kao Kang, it was revealed, had committed suicide a year earlier.

When reform in the countryside was well underway and controls over the government had been tightened, Mao initiated the "5-Anti" struggle against bribery, tax evasion, theft of state assets, cheating and theft of state economic secrets—a program frankly labelled by Communist leaders as a broad class struggle against the bourgeoisie, whose services they had hitherto willingly accepted in the building of the new China.

Following the "5-Anti" campaign came an announcement in early 1953 of the First-Year Plan,



aimed at transforming China from an agricultural into an industrial nation along the pattern of "Bolshevik socialism." Chinese Communist writers, with quotations from Lenin and Stalin, made it clear that in undertaking this task, the People's Republic "follows the path of the Soviet Union which, guided by Marxist-Leninist economic theory, accomplished such transformation at a speed unprecedented in history."

As in the Soviet Union, the human cost of this transformation process has been high. Undoubtedly, Chinese planners have increased national production—but only through intimidation and regimentation, the reduction of individual consumption (abysmally low to begin with), and the systematic employment of forced labor. Estimates of the number of individuals sentenced to forced labor in China vary from about 14 millions upward. Clearly, the precise figure cannot be fixed, but all reports suggest a staggering number of victims involved.

In the countryside, too, Chinese leaders were moving toward a first stage of Bolshevik socialism: during 1955-1956 the peasantry were organized into collectives at an astonishing rate. In the summer of 1955, only 15 percent of China's more than 110 million households were organized into producers' cooperatives, which are not, properly speaking, collectivized. But a year later more than 100 million households (or 90.4 percent of the peasantry) had been pressured into cooperative organizations, 73 million of them (or 61.1 percent) into "higher, fully socialist cooperatives" identical with collectives in other Communist countries. The "socialist transformation of agriculture", Liu Shao-ch'i told the Eighth Congress, had largely been accomplished within four years after the completion of "land reform."

#### Achievements and Admissions

Taken in sum, these various developments suggest that the Chinese Communists had good reasons for opening the Congress of their party on a self-congratulatory note. Central Committeeman Teng Hsiao-p'ing could report, moreover, that membership in the party (now numbering 10,743,384 persons) had increased 800 percent since the Seventh Congress in 1945. Primarily of peasant membership, the CCP is the largest Communist Party in the world.

If Chinese Communist leaders could congratulate themselves, they could also afford a measure of self-criticism. As Mao declared: "... Since our campaign in 1942 to rectify the style of work in the party, we have done much to strengthen Marxist-Leninist education within the party ... yet among many of our comrades there are standpoints and styles of work which are contrary to Marxism-Leninism, namely subjectivism in their ways of thinking, bureaucracy in their ways of work, and sectarianism in organizational questions."

One such errant comrade by his own admission was Li Li-san, Communist leader of the late 1920's, whose speech at the Congress was interesting as an example of the public confessional technique of self-criticism commonly used by the Chinese Communists. A victim of early Kremlin control over the Chinese movement, Li Li-san had been called to the Soviet Union in 1931 (after Soviet-

inspired policies had failed), induced to "confess his errors" and required by the Soviet leadership to "stay here and study a few months and work with the Comintern to correct his mistakes" (he did not return to China until 1945). Li Li-san "confessed" at the Congress that for 26 years he had been making mistakes and that these had been particularly grave while he was working with trade unions in 1950; at this time, he said, the party "carried out a successful operation" on him, improving his ideological health and preventing the commission of graver errors.

As for mistakes of the regime as a whole, Lo Jui-ch'ing, Minister of Public Security, admitted that innocent persons had been arrested, prisoners maltreated, confessions extorted by force, individuals executed without sufficient reasons, and other serious errors committed "in pursuit of justice." In fact, as Tung Pi-wu, President of the Supreme People's Court, told the Congress, the Communist regime was still lacking a criminal code, a civil code, a code of procedure and other fundamental laws. The development of such codes within a strictly-controlled Communist framework was stressed as a primary task facing the party and the government. The concepts and procedures of the Cheng-feng movement, it was said, should stand as a model: according to Lo Jui-ch'ing, severity combined with prudence, and punishment combined with leniency were to remain the guiding (if somewhat contradictory) principles for eradicating those who oppose the government.

#### Party Organization

Although the Eighth Congress approved a number of amendments to the party constitution adopted in 1945, there were no changes basically altering the nature of the CCP or its functions, or the highly disciplined role of the individual member. The party Congress, elected for five years, is scheduled to meet annually. In at least surface harmony with recent Soviet developments, the new constitution stipulates that "every party organization should strictly abide by the principle of collective leadership coupled with individual responsibility." References to the "thought of Mao Tse-tung" have been deleted—though it should be emphasized, in this connection, that he was reelected Chairman of the Central Committee and of the Politburo, both of which, along with the Secretariat, have been considerably enlarged. Provisions are made for a Standing Committee of the Politburo, for one or more Vice-Chairmen, and for a General Secretary of the Central Committee. The party committee at the district level, between provincial and hsien levels, has been abolished, and it is stipulated that control committees, hitherto established at the discretion of the Central Committee, must be created for all levels of the party structure from the Central Committee down to the hsien committee. According to Article 2, every party member is required to place the interests of party and state above personal interests and in the event of conflict "to submit unswervingly to the interests of the party and the state. . ."

The new Central Committee consists of 97 permanent members and 73 alternates. Two former Politburo members who have played relatively unimportant roles during recent years—K'ang Sheng and Chang Wen-t'ien—were relegated to the newly-created posts of alternate members of that body. All remaining members of the former 13-man Politburo have been reelected, and they are joined by six newcomers. The new standing committee of the Politburo consists of Mao Tse-tung, Liu Shao-ch'i, Chou En-lai, Chu Teh, Chen Yun, and Teng Hsiao-p'ing, who retains the post of Secretary General. Former alternate members of the Central Committee were raised almost as a body to full membership, and new members and alternates were drawn largely from the ranks of important office holders of the central government and from the provincial governments.



### Friendly Hand from the Kremlin

Present at the Eighth Congress, along with representatives from other Communist parties of the world, was a Soviet delegation headed by A. I. Mikoyan, a member of the Presidium of the Central Committee of the Communist Party of the Soviet Union and first Vice-Chairman of the Council of Ministers of the USSR. Statements by members of this delegation suggested that the Soviet Union was now making a major bid for even closer ties with the Chinese Communists. Stalin had made it clear that Soviet hegemony in the world Communist movement must remain unquestioned, and only he among Communist leaders was accorded official credit as a theoretician and party ideologist. Mikoyan, in contrast, credited Mao Tse-tung with major contributions to Marxist-Leninist theory and hailed him as a creative adapter and developer of Leninism. In achieving—through a transitional stage of state capitalism—the participation of the national bourgeoisie in the work of revolutionary forces, and in adapting certain tactics to collectivize farmers and to wipe out private enterprise, the Chinese had found “distinctly new forms and methods in building socialism,” said Mikoyan. (How this participation of the national bourgeoisie—what is left of them—has been achieved can be inferred from an examination of the “5-Anti” laws and the penalties for their infraction).

In certain respects Chinese ties with the Soviet Union over the last 30 years have been a mixed blessing to the Chinese. Between 1924 and 1934 Stalin's high-handed intervention brought one defeat after another to the Chinese Communist Party—often at the cost of Chinese lives; and later, when Mao needed aid from the Soviet Union, it was largely advice that he received. Even after the foundation of the People's Republic, Stalin gave Mao ridiculously small amounts of aid as compared with the needs of China. There have been indications of Soviet-Chinese tensions, too, in areas such as North Korea, Outer Mongolia, and Sinkiang, where the interests of the two nations are in conflict.

Soviet economic and technical aid to the People's Republic has increased enormously since Stalin's death, however, and Mikoyan promised the Eighth Congress that the USSR would help lift China from technical backwardness to the summit of modern scientific advances. “Fraternal co-operation in technology, science and culture,” he said, “saves the Chinese from the need to go through all the preparatory stages. . . .” In view of the rapid consolidation of Chinese Communist power, of increasing opposition among European satellite states to Soviet domination, and of persistent rumors of sympathetic interchanges between Chinese Communist leaders and Polish and Hungarian deviationists, an outside observer would conclude that the Soviet Union had good reasons for seeking to improve relations with the People's Republic of China.

### Future Plans and Projections

Communist leaders emphasized at the Eighth Congress that for the achievement of Bolshevik socialism in their country they would continue to adopt from Soviet experience. It was calculated that a total of three Five-Year Plans would be needed for the completion of industrialization in China. Heavy industry goals of the First Five-Year Plan, according to Chinese Communist predictions, would be over-fulfilled by its termination date next year. The Second Five-Year Plan is designed to continue this development in terms of five major objectives: industrial construction with emphasis on heavy industry; continued ideological indoctrination, social transformation and “remolding” of individuals; increased industrial, agricultural and handicraft production and the development of transportation and commerce; increased efforts to wipe out

illiteracy and to train personnel for construction, scientific research, and national defence; and the achievement of higher levels of material and cultural life after the Communist pattern.

Contributory to these objectives were plans for the selective development of light industry (especially for the production of machine tools), for the achievement of a clear distinction between central and local administrative authority, and for the tightening of party supervision over state organs and of supervision within the hierarchy of government.

Special emphasis, under the Second Five-Year Plan, has been placed on the development of bases for the steel and iron industry in Central China and in Inner Mongolia, and of iron-steel-hydroelectric complexes in Southwest and Northwest China and in the Sanmen Gorge area.

According to Chou En-lai, the actual amount of money spent on the Second Five-Year Plan will be twice that spent on the First Five-Year Plan—with accompanying increases in revenue collection. By 1962, he said, the value of China's industrial production will be double that planned for 1957, and the value of agricultural production will be 35 percent higher than the 1957 goal. Neither he nor any of his colleagues indicated precisely what this vast development would mean in terms of human regimentation and deprivation.

Po I-po suggested that the proportion of national income set aside for capital investment should be about 20 percent “more or less” as compared with 18.3 percent in 1953, a ratio made possible only by the stringent control of consumption. According to a qualified observer, Dr. Yuan-li Wu of Marquette University: “There is no doubt that a 20 percent ratio of gross investment to gross national product would require continued strict control of consumption. But this is not impossible, especially if, as previous investment begins to take shape in the form of finished plant and equipment, the national product is itself increased.”

Communist leaders, evidently, are not unaware of the heavy burden which the industrialization program has already placed upon the populace. Teng Hsiao-p'ing promised the Eighth Congress that during the Second Five-Year Plan workers would enjoy substantial wage increases and urged that the party “correctly solve” the problem of peasant burdens by achieving a suitable balance between the income of the state and the income of the cooperatives, and between the aggregate wealth of the cooperatives and the income of cooperative members. At the same time, however, Ch'en Yun warned that prices were likely to rise for the time being as the result of “encouraging a free market within a planned economy.” There was no indication of the extent to which projects under the Second Five-Year Plan would utilize forced labor. But if the record of the immediate past is any criterion, Chinese leaders will seek the narrowest possible margin between requirements of the state and a burden which the populace might be unwilling or unable to bear.

Essential to the building of a “prosperous, strong, and highly industrialized state,” Ch'en Yi told the Congress, is the securing of “a peaceful international environment over a fairly long period.” In the same speech, however, he reiterated the determination of his government to incorporate Formosa under its power—whether by peaceful means or otherwise. And at the very time when Chinese armed forces were occupying areas of northern Burma, Ch'en Yi declared his “dedication to peace,” reasserted its support of the Panch Shila with India and Burma (an agreement avowing mutual respect for territorial integrity and sovereignty, non-aggression, non-interference in each other's



## HUMAN RELATIONS IN CHINESE INDUSTRY

Being a hopeless and none too pleasant minority, the Communists everywhere find it necessary to set all other elements of the population by the ears so as to impose their will and ideas on all of them. The technique is evil and unpleasant. It turns the traditional harmonies, as in China, into a seething mass of hatreds. But when they have gained and consolidated power, they confront the task of turning hatred back into harmony. It is much more difficult than to turn harmony into hatred, and the powers-that-be in China, their collaborators and stooges, have been debating the problem without cessation for a long time. They used hatred as a weapon in forcing the private industrialists and businessmen to do their bidding, turning the activist on to the worker, the worker on to the foreman, the foreman on to the manager and the manager on to the proprietor, what time they confiscated the latter's property—gained by the sweat of his brow and the operation of his brains behind the brow. Thus industry and commerce were “transformed”—which means taken over by the State, which means the working class, which means the Party, which is a lot more than a mere body of ideas but actually a Power in itself, what with its high and low level organisations in every nook and cranny, its security, secret and other Police, its armed forces and its complete authority over life and death.

One of the major problems, following the “transformation” of industry and commerce in China, was that of the “human relations” between the personnel of the public and private sides in the joint enterprises. There was also a problem of the relations between the reinstated managers and the workers many of whom had joined the party activists in intimidating and mistreating the bosses, during the softening-up “anti” campaigns. The leaders of the China Democratic National Construction Association called a meeting in Peking before the session of the P.P.C.C. to hear reports on relations between the personnel.

Reports submitted from various parts of the country, including the four major urban centres of Shanghai, Peking, Tientsin, and Wuhan, indicated that the relations as co-workers had registered great improvement in the past six months. Those in which relations were extremely good had increased; in the majority of cases the relations were classed as “normal”; and only in a small minority were relations still bad.

In October last the Shanghai Municipal Committee of the Association investigated over 1,240 enterprises on this subject. In nearly 20% both public and private personnel

internal affairs, equality and mutual benefit, and peaceful coexistence) and solemnly insisted that China's revolution was “not for export.”

What emerges from the Eighth Congress, therefore, is the picture of a totalitarian government dedicated in purpose, confident in its successes, Machiavellian in its foreign relations, and ruthless in domestic regimentation and the exploitation of human lives for ends of state. How Chinese Communist leaders will deploy their rapidly developing strength is difficult to predict. For the time being they find themselves dependent upon the economic and technical aid which Soviet leaders, in turn, can scarcely refuse to grant. But the Soviets, in giving this support, contribute to the growth of an increasingly formidable rival, and in the long run it might be the Chinese who will hold decisive power in the disturbed balance of Communist forces.

showed mutual respect and sincerity, as the Japanese used so often to put it during the occupation, and the private personnel were able to promote initiative and activeness; in 51% of the enterprises the relations were basically normal, with only very few questions existing between them; in 24% both sides remained on good terms, though there was still some distance separating them; and 4.2% the relations were not harmonious and in the remaining one per cent other complications were reported. The general tendency was progressing toward improvement.

As to the ideological trends of the private personnel, most seemed willing to “make a good job” of such relations and their “Socialist activeness” was continually growing. But some people were entirely passive and others even committed illegal acts.

As to the attitude of former high officers and officials under the Nationalist Government, their views were communicated by General Chang Chih-chung, who was Kuomintang Governor of Sinkiang Province in 1949 before the Communists took over. He said that factional fights had ended and in the main relations between the Communists and non-Communists were good, “but still need improvement.” He told the PPCC that at the higher level relations were good, but were not quite so good lower down. He criticised the attitude of some of the Communists to non-Party people. There were, he said, faults on both sides, but the major fault was due to the attitude of some of the Communists.

The former KMT President of the Chinese Association of Labour, Chu Hsueh-fan, who is now Vice-President of the All-China Federation of Trade Unions, supported the policy of a broader system of democratic management in factories. He told the PPCC that the factories could only be run well if the workers took part in management and supervision and the workers' representative conference seemed to be the best form for this. The conference must have the right to hear, discuss, and check the reports of factory directors, on production plans, finance and management. Its powers must include decision of matters concerning the workers' interests and the use of factory bonuses, and the recommendation of appointment or removal of leading officials.

The first big step by the Peking Tram Company in the experiment to ensure greater powers for the workers in running the enterprises was announced on March 19. A new administrative committee with worker representation and powers to manage was elected at the Workers' Representative Conference which ended on that day. The company is one of five State enterprises in Peking which are testing various methods of extending democracy among the workers. The current tests were suggested by the CCP and the Central Government with a view to broadening the workers' democratic rights by drawing them into management. At the conference of 191 representatives elected by the workers, mistakes were exposed and criticised and several hundred proposals for improving the work were put forward.

The workers' representative conference is elected for a year and has power to supervise the management in carrying out State policies and directives; to study and decide the company's plans of production, technical measures and finance; to elect the managing and assistant managing directors and investigate and ratify the managing directors' work report; investigate and decide on matters of organisation,



## IMPORTANCE OF GULF OF AQABA FOR WORLD COMMERCE

While the Suez Canal has been in the headlines almost continuously for the past few months, little note has been taken of the fact that there is another link between the Mediterranean and the Red Sea. Parallel to the Gulf of Suez and east of the Sinai desert lies the Gulf of Aqaba which borders on four countries: Egypt, Israel, Jordan and Saudi Arabia. The Gulf of Aqaba is 100 miles long and has a total coastline of 230 miles. The width of the Gulf varies from 12 to 17 miles. At its northern end there are two ports: Aqaba in Jordan and Eilat in Israel.

Near the southern end, where the Gulf merges in the Red Sea, two small uninhabited islands are situated—Tiran and Sanafir—which Egypt occupied in 1950. The only navigable channel from the Red Sea to the Gulf is a mere 500 metres in width between the island of Tiran and the strip directly facing it on the Sinai coast, known as Ras Nasrani. This is a barren, desolate spot where nothing

important measures, rules and regulations, labour safety, wages, promotion, awards and penalties; and on the spending of bonuses and welfare funds.

Socalled "democratic management" began in all the State enterprises in Peking as soon as the Communists took over, and now it is spreading to the new joint enterprises. Management committees set up in some factories are actually running them now. They function as the permanent organs of the workers' congresses. In some of them meetings of workers' representatives are held to hear the managers report on the work, to discuss production plans, and to criticise shortcomings in management.

The President of the All-China Federation of Trade Unions, Lai Jo-yu, in his speech to the trade union conference in Peking on January 9, said it was decided that workers should take part in administering all joint enterprises and that a number of State enterprises are to be the guinea-pigs to test the method. The system was needed, he said, to provide an effective medium by which the workers could supervise the work of the enterprise. Suitable organisations to put the system into effect were over-all factory conferences or conferences of the trade union membership and committee elected by such meetings. Both the conference and the committees should have an equal footing with the management. He stressed that workers' participation in administration was for the purpose of helping the managements to mobilise the workers to fulfil the State plans for industrial production. The all-factory conference should have the right to pass resolutions within the area covered by State plans and without contradicting directives from above. When the management dissented, a solution should be worked out by consultation, or the matter could be referred to superior authorities for settlement. The all-factory conference and its committee should have the right, he said, to recommend appointments and removals but the management should be appointed by the State. No matter what methods were used, the trade union should take an active part in the work. There was no preconceived idea as to what were the best methods, and each enterprise could choose whichever they thought most suitable. The purpose was to experiment and find out the best experience. Seven State-owned factories in Peking have been selected for a tryout.

exists except the gun emplacements which the Egyptians set up six years ago for the sole purpose of preventing ships from sailing freely to and from the Israel port of Eilat. When Egypt first occupied the islands of Tiran and Sanafir, the Egyptian Foreign Minister, on 28 January 1950, affirmed in an aide-memoire to the American Ambassador in Cairo, that the occupation of the islands was not intended to place obstacles in the way of innocent passage through the Straits and that this passage would remain free, as in the past, in conformity with international practice and the recognized principles of international law.

Despite this assurance and the fact that the Gulf of Aqaba is an international waterway, the Government of Egypt has blocked the passage of Israel-bound ships through the Straits of Tiran and maintained an illegal blockade of the port of Eilat. It has prevented and deterred Israel-bound ships from entering the Gulf and has thereby caused incalculable harm to Israel trade and economic development. The Egyptian blockade of Israel was twice discussed in the Security Council—in September 1951 and in March 1954—when the Egyptian interference with navigation to Israel was strongly denounced and Egypt was called upon to desist from these illegal practices. Egypt ignored these authoritative pronouncements and continued to close the Gulf to Israel-bound shipping. It was only the occupation of Ras Nasrani by the Israel Defence Forces at the beginning of November 1956 which opened up the Straits and the Gulf to international shipping.

Freedom of navigation to the Gulf of Aqaba is a matter of vital importance to Israel. Since the blockade was broken, ships of various flags (including a Lebanese boat) have passed unimpeded through the Straits of Tiran. A number of ships are now plying freely between East Africa and Eilat. The port of Eilat is being rapidly enlarged and fitted for the handling of ships of large tonnage. The road between Beersheba and Eilat is being resurfaced for heavy traffic. Plans are afoot for extending the Haifa-Beersheba railway line to Eilat. An oil pipeline between Eilat and the Mediterranean coast is under construction, while a second pipeline of much larger dimensions is being planned.

The matter, however, does not concern merely Israel. Eilat could become a pivotal point for international trade between the Mediterranean and the Indian Ocean if the present freedom of navigation through the Gulf is maintained. Apart from Egypt, Israel is the only country which has an outlet both to the Mediterranean and the Red Sea, and the passage through Aqaba could offer an alternative route to the Suez Canal. Recent events have shown that the Suez Canal can easily be obstructed by accident or design and can at all times be closed at the whim of Egypt's rulers. The development of the Aqaba route would break the Egyptian monopoly. In any case the Suez Canal will soon not be adequate for the requirements of the oil transport from the Middle East to Europe which at present constitutes its primary function. Several projects have been considered for meeting this problem. There is the route round the Cape, but this will



# THE HISTORY OF CHINESE PAPER MONEY

By E. KANN

## SECTION I: ANCIENT CHINESE PAPER MONEY. PART FOUR

### PAPER MONEY UNDER THE MONGOL DYNASTY OF YUAN (A.D. 1260—1367)

It was in A.D. 1260 that the Mongols entered China and founded the Yuan dynasty. Already before they had conquered China, the Mongols knew of paper money and had used it. In A.D. 1236, under Ogotai Khan, a note-issuing department was inaugurated in Mongolia.

In A.D. 1260 Kublai Khan created three new money issues in China: (1) Calling for silk; weight in liang or ounces; (2) notes in strings of cash coins; (3) notes in taels of silver. Seeing that copper cash were then not used, silver was considered as basis for the country's currency. The tael notes existed in denominations of 1, 2, 3, 5 and 10 taels; the cash notes were denominated 10, 20, 30, 50, 100, 200 and 500 cash, also calling for 1 and 2 strings (*hwan*). The ratio was fixed at 1 tael of silver equalling two strings of cash, or two liang of silk. The notes were printed and issued at the capital, and the branch offices in the provinces could obtain paper money only in exchange for silver. In this way an effective metallic currency reserve was created. The fiat money issued by Kublai Khan was unlimited legal tender, circulating throughout the entire country. In place of the previous system of exchanging old notes against newly printed series, there was redemption upon demand. As a basis for working capital the emperor placed at the disposal of the note-issuing Bureau 12,000 silver ingots. In A.D. 1280 Kublai Khan caused the opening of note-issuing Bureaux in all the provinces, thus assisting in the popularization of fiat money. As a further means of increasing the note circulation, the use of copper cash was interdicted.

In spite of these measures, the metallic reserve gradually showed considerable decreases, causing a depreciation in the value of paper notes. In A.D. 1287 new notes for the identical denominations were emitted. But they were supposed to be worth five times as much as their precursors. After transporting the silver reserves held by the provincial branch offices to the capital in A.D. 1294, the redemption of notes ceased everywhere. Upon the outstanding issues becoming irredeemable, a new wave of depreciation set in.

In A.D. 1309 new tael notes in 13 denominations were emitted; they ranged from 0.1 to 2 taels in face amount. 1 tael was held to be equal to five strings of the 1287 issue,

raise the cost of transportation considerably, because the giant tankers which will have to be constructed for this purpose require very large capital investments. The proposed trans-Israel pipeline from Eilat to the Mediterranean coast would obviate the need for some thirty 45,000 ton or twenty 60,000 ton tankers. This would represent an economy in capital investment of \$270-\$380 million. Furthermore, the use of the pipeline would result in annual savings exceeding \$50 million a year for transportation and thus in the landed cost of fuel in Western Europe.

and 25 strings of the original issue of A.D. 1260. But already in A.D. 1311 the printing of the silver notes was discontinued, leaving the old paper money in circulation. Until the year 1341 a new series of notes was added annually to the already existing flood of paper money.\*

H. B. Morse, in his "Trade and Administration of China", deals with the problem of Mongol issues in the following strain:

"An unlettered race of warriors, they could devise no better means of providing for the needs of their government than to continue the practice which they found in vogue and issue paper money. Copper cash and silver had been driven from their dominions; and with the chief sources of supply of both metals in the southern provinces, it would require a longer period of peace and a higher development of commerce than was possible under Mongol rule, for the ways to be opened to allow the deficiency to be made good. From Marco Polo we hear much of the great wealth and the high development of commerce in the Mongol realm, but we must recall what was the state of the Europe of that day with which alone we could make comparison; apart from the record of history, the coinage alone would tell us that China from the 7th to the 11th century was far more prosperous and more highly developed than in the 13th century. To show the available resources of the Treasury at a time a little later, but during the same Mongol dynasty, the following note, showing the tribute actually received by the Imperial Treasury, in a year of great prosperity, is illuminating:

"A.D. 1329. 989 *ling* (i.e. 49,450 taels) of silver and notes; 1,133,119 strings of cowrie shells; 1,998,843 catties of raw silk; 350,530 rolls of woven silk; 72,915 catties of cotton; 211,223 pieces of woven cloth; 3,255,220 piculs of rice."†

Briefly summarized, the successive issues of paper money by the Mongol Government in China were as follows:‡

A.D. 1260. *chiao-ch'ao*, representing silk, a continuation of the issue then in vogue. Fifty taels of silver would purchase 1,000 taels in silk, represented by notes of the face value of 1,000 taels. A.D. 1260, November: issues of notes called *chung-tung-chao* for short, though its full designation was: *chung-tung yuan-pao chiao-ch'ao*, denoting: Primary treasure exchange note of the Chung-tung era. Face values were 10, 20, 30, 50, 100, 200, 500, 1,000 and 2,000 cash. Each bill for 1,000 cash was to be worth 1 tael in *chiao-ch'ao* currency, represented by 1 tael in silver.

A.D. 1264. A Treasury was established in every province. Banknote reserves were represented by 12,000 *ting* (1 *ting* was 50 taels), which means 600,000 silver taels.

A.D. 1275. *Li-chao* notes were issued and denominated 2, 3, and 5 cash as fractional currency; but the paper was soon withdrawn.

A.D. 1287. *Chih-yuan-ch'ao* was emitted in 11 denominations from 5 to 2,000 cash. 1 tael of silver exchanged for 2,000 cash, and 1 tael of gold for 20,000 cash in these notes. Their full name was *Chih-yuan tung-hsing pao-ch'ao*, translating: Circulating precious note of the Chih-yuan era. A ratio of 1 to 5 was fixed between the *Chung-tung* and the *chih-yuan* series.

A.D. 1309. *Chih-ta-y'n-ch'ao* new notes were issued in 13 denominations from 2 cash copper to 2 taels silver. The new name means in translation: Silver note of the Chih-ta era. 1 *chih-ta-ch'ao* (tael of silver) was equivalent to 5,000

\* See "Die Form bankmässiger Transaktionen im innern chinesischen Verkehr", by Dr. Ku Sui-lu, (1926).

† 1 catty (from the Malayan) is about 1.1/3 lbs avoirdupois. 1 picul equals 133.1/3 lbs.

‡ See "Banking & Prices in China", by J. Edkins (Shanghai, 1906).



*chih-yuan-ch'ao* cash, a depreciation of 60% in 22 years. Due to depreciation the silver note was abolished after attempts to popularize it during 20 months.

A.D. 1312-1321. During the reign of emperor Jen-tung the country suffered from over-issue of paper. While the *chih-ta* series were withdrawn, *chung-tung* and *chih-yuan* notes continued to circulate until the end of the Mongol dynasty. They were proclaimed sole legal tender and appeared on the market in annual emissions. The embargo in connection with trading in gold or silver was lifted. However, mild inflation always was current.

According to H.B. Morse, there is a record extant of the issues (which seemingly include re-issues in exchange of obliterated notes) for the first 70 years from A.D. 1260, which—exclusive of Kublai Khan's *chiao-ch'ao* paper—gives us a total issue of irredeemable paper money in 64 of the first 70 years of Mongol rule, amounting to 47,611,276 *ting*, or 2,380,563,800 taels nominal face amount, the tael being always reckoned as equivalent of 1,000 cash. This represents an average of over taels 37,000,000 a year.

Of the *chung-tung* and *chih-yuan* notes there existed 11 values: 1 and 2 *kwan*, and 5, 10, 30, 50, 100, 200, 300 and 500 cash. Outside the decorated border is written horizontally: "*Chih-yuan* general circulation Treasury Note." In the upper panel is the denomination and its pictorial representation. At the right and left of the upper middle panel, respectively, is found an inscription in Mongol script. Below series and numbers. In the center of the lower panel: "The counterfeiter shall be punished by decapitation. The first informant shall be rewarded with 5 ingots in silver, and in addition shall be given the property of the criminal." To the right thereof: "The Executive Department, having petitioned and received imperial sanction, prints the *chih-yuan* Treasury note to be acceptable for the payment of taxes (in grain) within the jurisdiction of the rural tax office. This shall be current in all districts for an unlimited period of time." Then follow the seals of officials connected with the printing and issuing of the notes, and the date.

Emperor Shih-tsu (A.D. 1260-1294), whose era from 1264 was *Chih-yuan*. When ascending the throne in A.D. 1260, Kublai Khan established the *Ching-tsung* era which lasted for only three years, when it was changed to *Chih-yuan*. Under the lastmentioned era Treasury notes were issued and used side by side with the *ch'uan-chao-chien* of the *Chung-tung* era (A.D. 1260-1263). The lastmentioned notes were exchangeable for the five notes of the *chih-yuan* series.

Two sets of notes were issued under Kublai Khan (known as emperor Shih-tsu) one of lesser face value, and one of higher denominations. Amongst the lesser values was 10, 20, 30, 40 and 50 cash, while the greater values consisted of 100, 200, 300, 400 and 500 cash. Besides, there was a note for 1 *kwan*, making altogether 11 varieties. The color of the notes was grey. Their border design varies with every denomination, and their dimensions are 9 x 12 cm for the bills up to 50 cash, 10 x 22 cm for the 100, 200 and 400 cash, 12 x 24 cm for the 300 cash, and 17 x 24 cm for the 500 cash notes.

The first line reads in translation: "Great Yuan general circulation Treasury note," while the second line indicates the denomination. On the upper right in seal script: "*Chih-yuan* Treasury Note;" and on the left: "To be current in the world." In the lower panel we find a legend, the wording of which is very similar to that of previously described notes. The pictorial designs are strings of cash, different for each value.\*\*

The same dynasty (*Chih-yuan*, A.D. 1264-1294) was responsible for the issue consisting of five different values

and intended for military purposes. This was indicated by the first line which in translation says: "Great Yuan Military Supplies Treasury Note." The panel contains the following text: "The Board of Revenue and Rites, having received the imperial decree, prints for the use of the soldiers the 100 copper cash note to be current as cash." And then the legend continues: "The Great Yuan Treasury Note, the Army mandatory paper money of the Commissariat of the Paymaster's Bureau of the White Banner division. If the counterfeiter is discovered (he) shall be decapitated summarily by the army (authorities). The Army shall have the surveillance of making (the notes). To the first informant (of such guilt) shall be given 90 taels of silver at the army camp. The punishment for concealing in the said Army shall be the same as this (the case of the counterfeiter). *Chih-Yuan* . . . year . . . month . . . day."††

The size of the notes was as follows: 100-cash note—10 x 19 cm, 200-cash note—11 x 22 cm, 300-cash note—13 x 23 cm, 400-cash note—14 x 27 cm, 500-cash note—16 x 28 cm.

The foregoing series has the customary border design, but no pictorial representation of money.

Emperor Wen-tung (A.D. 1328—1332) whose era was known as *Tien-li*. He emitted 10 varieties of notes on blue paper in values of from 1 to 10 *kwan*. The border decorations consist of clouds only, and the pictorial representations of as many ingots of silver as the note calls for *kwan*. The size is uniform, viz., 14 x 24 cm. Inscriptions conform to the customary text. For the detection of a forger of the 1 *kwan* bill a reward of 17 taels is offered; and the 10 *kwan* note contains a promise for 35 taels.

Emperor Shun-ti (A.D. 1333-1367), who ruled under the dynastic name of *Yuan-tung*. In A.D. 1335 his era was changed into *Chih-yuan*, and again in 1341 into *Chih-cheng*. During the latter period the country was in an unsettled state, and the nation was obliged to handle army notes. Twenty varieties of paper money issued under Shun-ti are known, all of a uniform size of 10 x 23 cm, and all printed on bluish-grey paper. The borders were variously decorated with clouds, plum blossoms, orchids, bamboos, etc.

The top line divulges the inscription "Great Yuan Army Treasury Note", followed by the denominations, all of which call for cash, namely: 5, 10, 20, 30, 40, 50, 60, 70, 80, 90, 100, 200, 300, 400, 500, 600, 700, 800, 900 and 1,000 cash. All pictorial representations are in variously shaped strings of cash coins. The lower panel contains a long inscription, very similar in wording and sense to the foregoing series, except such passages as: "... upon the petition of the members of the Military Council assembled, prints for the use of the army and civilians, the Great Yuan Military Use Treasury Note, to circulate, etc. . .". The seals are considerably smaller than revealed by the preceding emissions, the larger one reading in translation: "Seal of the Army of the Great Yuan Dynasty."

Lien-Sheng Yang (in his "Money and Credit in China", 1952) states that the year 1350 marked the last currency reform of the Mongol and constituted the beginning of malignant inflation. A new currency styled *Chung-tung chiao-ch'ao* (meaning Exchange Note of the *Chung-t'ung* era) was placed into circulation at the ratio of 1 to 2 *chih-yuan* notes. To distinguish it from the old *Chung-t'ung* note which was first emitted in Kublai Khan's reign, it was also named *Chih-cheng* note. Copper coins were also revived, and 1,000 cash were made the equivalent of one string of this new *Chung-t'ung* or *Chih-cheng* note. While there were three varieties of paper notes in traffic, the public valued merely

\*\* J. Edkins mentions also denominations of 1,000 and 2,000 cash.

†† See "Ancient Chinese Paper Money as described in a Chinese work on Numismatics", by Andrew McFarlan Davis, Boston, 1918.



the copper coins. Rebellions spread over the entire empire. To meet urgent financial requirements, huge quantities of new paper money were added to existing volume. As there existed no reserve funds, paper money had practically no value after 1356. Therefore, people had to resort to copper coins (as far as available), or else to barter. This state of affairs lasted until the end of the Mongol dynasty, or until A.D. 1368.

In its heyday, the Yuan dynasty's paper currency circulated not only in Chinese and Uighur areas, but had penetrated to Annam, Burma and Siam. It was also introduced into Persia, where the Mongols ruled for many years.

It must not be lost sight of that the Mongol dynasty, after having subjugated China, pertinaciously followed the path of further aggression. In this respect it must be recalled that they organized huge campaigns, pressing hundreds of thousands of satellite citizens into the ranks of their military machine. And, finally, it should be borne in mind that not all campaigns turned out favorably for the Mongols, as is evidenced by the defeat of huge forces, sent in junks to conquer Japan, a move which failed miserably. Yet, the existence of this fixed policy, followed up perseveringly through years, caused such gigantic expenditures that these could not possibly be balanced by normal revenues. Therefore the Yuan emperors had recourse to the printing press, swamping the country with rapidly depreciating paper money which, naturally, in the end lost its value altogether.

To round off our discussion of fiat money during the Mongol rule, it is thought judicious to quote from the translations of Chinese writers, as given by Lin Bao-seing.\* Income, presents, etc. during the Yuan dynasty was budgeted in terms of 'ting'. Originally this meant a shoe of silver, weighing 50 taels. But the Yuans gradually adopted this nomenclature for paper money, i.e. representing notes @ 50 *kwan*, though such notes had imprinted their face value in terms of theoretical cash copper coins, i.e. *kwan* of 1,000 cash each. Besides, there was paper money under the Yuan dynasty which entered circulation as silver certificates and which displayed the weight units of silver in terms of 'liang' and 'li'. However, such silver certificates only rarely retained their full value.

Paper money of the Yuan dynasty was fiscal, as well as general legal tender medium of payments. There were severe punishments for attempting private issues. Time of validity was not prescribed on such fiat money, but damaged notes could be exchanged. In the second Dshir-yuan year (A.D. 1365) administrative offices for paper money were instructed to exchange soiled notes against payment of a fee. Originally, 30 cash per *kwan* was to be paid, but a year later the fee was reduced to 20 cash, in order to be restored in A.D. 1285 once again to 30 cash. The retired worn paper was collected in the provincial capitals and fed to the flames there.

In the Yuan dynasty only inadequate metallic reserves for the notes issued were extant. In the same measure as paper money turned irredeemable, its worth declined in the market, notwithstanding the existence of regulatory offices which were destined to support fiat money. Those offices were authorized to buy and/or sell gold, or silver, according to actual requirements. In order to make their stabilization measures more efficacious they had to interdict all private dealings in the precious metals. So, for example, it was ordered by emperor Shir-dzu in A.D. 1294, that the stabilization offices which then harbored 936,950 ounces of silver, should retain 192,450 ounces and hand over the balance to the imperial coffers. Administrative and military expenditure claimed more and more means for the extensive

Yuan empire, so that ever-growing quantities of paper had to be printed. But there were no adequate reserves for the new flood of paper notes. As a natural corollary fiat money constantly lost in value.

The Mongol dynasty, which with imposing might had established its sway over China, and which had completely ruined the imperial Sung dynasty and the state of Chin financially and militarily, also was forced down as the consequence of the paper money inflation.

## PAPER, BLOCKS AND SEALS

At this stage it might usefully be asked where China obtained the knowledge of producing paper? The general belief is that paper was invented in China, but other sources opine that she learned paper making from Red Sea traders, who came to China about A.D. 200.

The printing was accomplished by wood blocks, and there are proofs that China printed paper money by using wood blocks from 2 to 3 centuries before she started printing books. The Tartars who, in the 12th century, conquered North China, learned both, the manufacture of paper and the art of printing, from Southern China. During the Yuan dynasty copper plates were first used for the printing of notes.

Almost all the seals employed on ancient Chinese paper money are in vermillion, which might justly be styled the oldest printer's ink. The impression made by seals, carved in wood, ivory, crystal, metal or stone, represent the oldest form of block printing. The employment of the seal was a manifest proof of the genuineness of documents. A seal was a sign of authority, since every government officer obtained his seal from the emperor. The seal was a visible sign of centralization and a change from feudalism. Seals, also taken over from Western Asia, were used in China extensively from the Han dynasty, and to this day they continue to be employed as a proof of official validity.

Originally, all Chinese ancient seals, when used, produced letters in white; this means that they were cut in *intaglio*. But about the beginning of the T'ang dynasty they began to be cut in *cameo*, i.e. in relief. Printed books in China started in about A.D. 900.

## PAPER MONEY UNDER THE MING DYNASTY

The Mings ruled over China from A.D. 1368 until 1644. When emperor T'ai-tsu ascended the throne he deemed it urgent to attend to the regulation of the country's currency. In order to satisfy the request of the public, he intended to re-introduce cast copper coins and had five mints put up which were to produce five varieties of copper coins. Due to the fact that there was a dearth of copper in the country, and seeing that coppers were too cumbersome for wholesale transactions, the people had to select silver as the general means for settling accounts. By that time banking methods had advanced in China and offered ways to the public (checks) which made the transfer of funds easy; besides preventing the depreciation of funds on deposit. Under such circumstances government money was not used to a considerable extent.

On the other hand, financial needs for administrative purposes necessitated a repetition of issuing paper money. It was in anno 1375 that the first Ming emission came out, intended for circulation throughout the entire country. Based on copper cash, the new notes appeared in denominations of 100, 200, 300, 400, 500, 1,000 and 2,000 cash. The new series were controlled by the *ch'ao ti-chu-ssu*, (Precious Note Control Bureau). The first fiat money making its appearance, was known as *Ta-Ming pao ch'ao*, translating: "Precious Note of the Ta Ming regime." Emperor T'ai-

\* See "Die Geschichte des chinesischen Geldes", Sinica, 1940.



tsu ruled under the dynastic title of Hung Wu, and this latter appeared on the notes.

Apart from paper money, copper cash, gold and silver also were full legal tender at the outset. The original official ratio prescribed 1,000 cash to 1 tael of silver; or 4,000 cash to 1 tael of gold. But this decree could not be adhered to for long, for soon it was required, in order to extend the note circulation, to accept payment in copper only up to 100 cash. Taxes were to be paid up to the extent of 30% in copper coin, and 70% in paper. Private trading in the precious metals was forbidden.

No distinct provision was made for the redemption of the notes, and neither was there any upper limit for the emission of paper. Notes worn in traffic had to be exchanged for new ones, as otherwise they lost their validity. The exchange cost certain fees which sometimes were so high that it became unremunerative to change old notes for new ones. In A.D. 1382 the Central Note Issuing Bureau was divided into two departments: one for issuing, the other one for retiring notes. In A.D. 1389 small notes for 5 to 30 cash face amount were added.

The aforementioned directions for the extension and popularization of paper money were without effect, as may be seen from the inflation persisting toward the end of the 14th century and which made the notes lose almost their entire value. Due to dearth of copper supplies the casting of copper cash had to be discontinued already in A.D. 1392, thus causing a great tightness of money. All this had the effect of further depreciating the existing paper notes; and so it happened that in the southern provinces a note calling for a string of cash was exchangeable for only 60 copper cash. To avoid further depreciation, the authorities once more interdicted dealings in precious metals, ordering simultaneously that holders of copper cash should give up such coins against a corresponding amount in paper. However, such measures failed to produce the desired effect.

The notes were provided with diverse designs and inscriptions. On the upper edge were seen 6 ideograms, signifying: "Generally current *pao-ch'ao* paper money of the Great Ming Dynasty." The space beneath this legend, surrounded by dragon designs, consisted of an upper and lower arca. In the upper space was seen the denomination; below appeared strings of coins depicting the denomination. These denominations were flanked on both sides by 4 large seals; the ones on the right meant: *pao-ch'ao* paper money of the Ming dynasty, while the seals on the left translated: Generally current in the whole country. The lower half showed the following legend: "The Chung-shu-sheng (office) has been authorized by the emperor to produce the *pao-ch'ao* paper money of the Great Ming Dynasty, the former being at par with copper coins. Whoever turns out forgeries will force the death sentence upon himself. Whoever denounces forgers and hands them over to the authorities, is to receive 250 liang (silver) as a reward, and besides the property of the counterfeiter." Then follows the date according to the Hung-wu years.

Even after the rule of emperor Tai-tsu the Hung-wu period was cited on notes. Notwithstanding the Government's attempts to support paper money in circulation, there was necessity to expand continually the volume of paper money; this move naturally caused further inflation. Under emperor Jen Dzung, from A.D. 1425 onward, the people tried to obtain and to hoard gold, silver and commodities. Four years later, under emperor Suan-dzung, prohibition against the use of precious metals was tightened. After two further years it was proclaimed that he who henceforth should decline to accept 1-*kwan* paper notes would be sentenced to a fine of 1,000 *kwan* in notes. If neighbors, or the village elders, knew of such refusals without reporting

them to the authorities, they also would be fined 100 *kwan*. Those who officially were closing their shops, but who surreptitiously continued to trade without the use of paper money, thereby raising prices of commodities, were to be sentenced to pay a fine of 10,000 *kwan*. Neighbors and village heads who failed to denounce such delinquents were to be fined 1,000 *kwan*. Whenever a single *tsien* entered trade channels, buyer and seller each were fined 1,000 *kwan* paper. But if one *liang* silver was misdirected, punishment of the concerned was to be increased tenfold. To mitigate the situation the authorities abstained from adding to the existing note circulation, but this makeshift failed to remedy matters.

How far pernicious inflation made itself felt, can be gleaned from the market value of notes. Whereas in A.D. 1375 one string of cash was valued at 1,000 cash, the ratio had risen to 25-*kwan* in paper toward the close of the 14th century. And, in the first quarter of the 15th century, quotations had further deteriorated to 80-*kwan*.

In order to prevent further disaster in connection with the currency muddle, Government ordered the retirement of paper money. However, no metallic redemption was intended. Instead, a number of new taxes was decreed (as salt tax, consumption tax, shop tax, transportation tax, etc.), in satisfaction of which paper notes could be tendered. Yet the sum retired by such means was far inferior to that newly emitted, thus aggravating the extent of the depreciation. By A.D. 1436 the Ming notes showed a devaluation of 20,000% of face amount; and when the 15th century closed, they stood so low that even the authorities would not accept them. Official salaries, as well as taxes expressed in terms of notes, were fixed in silver at a rate which prevailed at the time of payment.

In A.D. 1436 emperor Ying-dzung once more admitted silver as medium of payment, thereby causing new difficulties to the already desperate position of paper money. Twelve years later it was officially proclaimed that every obstacle placed in the path of paper notes would be punished with a fine of 10,000-*kwan*. But besides, the entire family of the criminal would be banished to the border districts. Simultaneously, the use of copper coins was once again prohibited.

In the same measure as excessive quantities of paper entered circulation, its value was declining. In the beginning of the Ming period, 1,000 *kwan* in notes equalled 250 *kwan* in gold, or 1,000 liang silver. In a comparatively short space of time paper money depreciated up to 3 to 5 liang of silver. In the course of the Lung-yu era (1403-1424), 1,000 *kwan* notes were worth 2 liang and 4 *tsien* of gold, or 12 liang of silver. At a later stage, depreciation reached a figure of 3,000 *kwan* paper equal to 4 liang silver; this happened during the Hung-dshir period (1488-1505). Vis-a-vis copper coins Ming paper had sunk by the year 1448 to a ratio of 1-*kwan* in notes to 2 cash on the open market, after having started from par. After the Tien-shun period (1457-1464) notes were only rarely employed; instead, silver and copper were used.<sup>†</sup>

For the purpose of supporting paper issues the imperial censor, Chen Ying, requested in the second year of Yung-lo (1804) that forced purchases by the people be proclaimed for salt. This measure was recommended as a means of contracting the note circulation of 50 million *kwan*. Thereupon the Treasury commanded that every adult would have to buy one *chin* (catty) of salt a month, costing 1-*kwan* in paper notes. When, in 1439, the Salt Gabelle did not possess enough salt, the quantity which the people had to acquire was reduced to one-half.

<sup>†</sup> See "Die Geschichte des chinesischen Geldes" by Lin Bao-seing, 1946.



In the 5th year of Yung-lo (A.D. 1407) local taxes were paid exclusively in paper. For each *dan* of rice 30-*kwan* paper money was levied. For each *pi* of thin, but narrow, silk 30-*kwan* in paper was reckoned. One *liang* of gold had the value of 400 *kwan* paper money; one *liang* silver was the equivalent of 80-*kwan* paper. The price of one *yin* salt was fixed at 100-*kwan* notes. Wheat, beans, raw silk and cloth, as well as other commodities, were taxed according to their worth. Four years later, taxes in Yunnan Province, which hitherto had been rendered in shells, were permitted to be liquidated in paper money and silver.

Street vendors under emperor Jen-dzung (A.D. 1425) paid their taxes in paper. Later on, in the 4th Suan-teh year (1429) notes had depreciated in Soochow, Foochow, Nanchang, Taiyuan, Chungking, and many other prefectures, to such an extent that the scale of taxation was augmented five times.

These surcharges were supposed to be cancelled as soon as paper money had re-acquired its equilibrium. But meanwhile vegetable gardens and orchards were subject to taxation, as long as they produced for sale to the public. 300-*kwan* was collected *per mou* from vegetable plots, while 100-*kwan* paper money was charged for every 10 fruit trees. On carts catering for commercial freight a levy of 200-*kwan* each was decreed. On cattle-drawn carts 50-*kwan* taxes were levied, while boats engaged in the transport of goods were charged 100-*kwan* and more in taxes, according to the length of the route traversed. Farmers harvesting and transporting grain for own use were not called upon to pay cart taxes; also carts returning empty were spared from paying taxation.

When the Mings entered upon the scenes taxes were payable in commodities, silver or gold, commensurate with the practice to pay officials' emoluments in the identical media. But as time went by, both were changed to paper. In the 18th year of Hung-wu (1386) 2 *dan* rice were replaced by 2-*kwan* and 500 cash. At the beginning of the Yung-lo period (1403) salaries to the civilian and military officers were disbursed in rice and paper money. According to rank, employees of first and second grade, received 40% in rice and 60% in paper money; officers of 3rd and 4th rank obtained 50% in rice and 50% in paper; but officials of the 7th and 8th class got 80% in rice and 20% in notes. One year later the emoluments of the princes, dukes and counts were liquidated partly in paper notes.

In the 8th Suan-teh year (A.D. 1432) the market price of rice was 15-*kwan* in paper; in A.D. 1466 rice quotations had receded to 10-*kwan*. The fiat money of former times had been devalued for a lengthy period; the new paper was quoted in the market at 10 cash for each *kwan*, while the old notes were only 1 to 2 cash. Officials whose income was nominally calculated on the basis of 10-*kwan* for one *dan* of rice as salary, thus actually obtained merely one *dan* of rice as salary, worth 100 cash. As is discernible from the foregoing description, the entire population was suffering from the inflation of paper money, but worst of all were the employees hit.

The extensive depreciation of paper money became responsible for a replacement of fiat money with silver and commodities; and to a small extent with paper. The last Ming-emperor, Si-dzung, in the 10th year of Chung-chen (1643) caused preliminary studies for an extensive monetary reform to take shape. When the Manchus in the identical year conquered the capital of Peking, Si-dzung ended his life by suicide, and thereby sealed the downfall of the Ming dynasty.<sup>†</sup>

Having dealt with the principal features of Ming paper money's career, it merely remains to give a few details of a descriptive nature pertaining to the make-up of notes.

Under emperor T'ai-tsu (A.D. 1368-1398, reigning under the title of Hung-wu), two series were issued on bluish-black paper. The first series consisted of the 1-*kwan* denomination only, being 21 x 30 cm in size. The border was adorned with dragons and the pictorial representation appeared as 10 strings of cash-coins. The top line reads: "Great Ming General Circulation Treasury Note". The second line says: "1-*kwan*". On the right, vertically in seal-script: "Great Ming Treasury Note"; at the left: "To be current under the heavens." The text contained in the lower panel says: "The Board of Revenue, having petitioned and received imperial sanction, prints the Great Ming Treasury Note to be current and to be used as copper cash. The counterfeiter shall be decapitated. The informer and captor shall be rewarded with 250 taels in silver, and in addition shall be given the property of the criminal. Hung-wu . . . year . . . month . . . day." The 1-*kwan* note shows on the reverse within an ornamented frame the denomination of 1-*kwan* and the pictorial representation of 10 strings of cash. A red seal (2.3/8 x 2.3/8 inches) is affixed to the reverse of the note.

Besides, there was a second series of minor notes, five in all, calling for 10, 20, 30, 40 and 50 cash; the dimensions for all these were 10 x 21 cm. The borders are filled with dragons and arabesque designs, differing on every value. Inscriptions are textually almost identical with the foregoing series. The pictorial representations are strings of cash coins of varying design. With the exception of the 20-cash note (showing two strings), all the others display only one string of cash.

According to the Journal of the Peking Oriental Society, the following note issued during the Hung-wu period (A.D. 1368-1398) exists: Above the upper decorative border is written: "Great Ming General Circulation Treasury Note". Below the dragon-decorated border: "200-cash". The illustration depicts two strings of cash coins. To the right of the illustration, vertically, in seal script, "Great Ming Treasury Note." To the left: "To be current under the heavens." In the lower panel: "The Board of Revenue, having petitioned and received the imperial sanction, prints the Great Ming Treasury Note to be current and to be used as copper cash. Cast anew in the year of chi-mao of the Chung-chen era. The counterfeiter shall be decapitated. The informer and captor shall be rewarded with 250 taels in silver, and in addition shall be given the property of the criminal. Hung-wu . . . year . . . month . . . day."

Emperor Cheng-tsu (A.D. 1403-1424), whose reign was known as Yung-le. Although history does not record the emission of notes under this ruler, Mr. A. McFarlan Davis possessed 20 varieties bearing that name, while the late H. A. Ramsden records 26 specimens. They ran from 1 to 20-*kwan* and comprise also notes denominated 25, 30, 35, 40, 45 and 50-*kwan*. Being of a size of 16 x 26 cm on blue-black paper, the notes display the conventional dragon border, diversified in all values. The distinguishing marks are actual cash coins, one each for every 5-*kwan* in the values of 5, 10, 15, 20, 25, 30, 40, 45, and 50-*kwan*; and one for each *kwan* in all the other denominations. Legends on these notes are almost identical with the other Ming issues.

Emperor Jen-tsung (A.D. 1425), who ruled under the title of Hung-hsi. This ruler's demise occurred six months after he ascended the throne. But during his brief reign 20 varieties of notes were emitted. Each is headlined "Great Ming Military Administration Treasury Note." Denominations start at 10-cash, rising by tens to 100, and thence by hundreds to 1,000 cash. The paper on which this series is printed is blue-black and 10 x 23 cm in size. The border design, composed of flowers, bats, clouds, plum

<sup>†</sup> See "Die Geschichte des chinesischen Geldes" by Lin Bao-seing, 1940.



blossoms, etc., differs with every value; so do the pictorial marks, all of which consist of strings of cash of differing designs.

The text in the lower panel states the following: "The Board of War, having received the imperial authorization decree upon the petition of the Ministers of the Military Council assembled, prints for the use of the army and for the convenience of the soldiers the Great Ming Military Use Treasure Note to be used as silver. The counterfeiter of the same form shall be decapitated summarily.

He who daringly informs (about) and captures (such a criminal) shall be given by the authorities a reward of 11 taels in silver. To official and civilian alike the punishment for being aware of, yet concealing (such guilt), shall be the same (as in the case of counterfeiting). Hung-tsi. . . . year . . . . month . . . . day." The reward for denouncing forgers grows with the face-amount of the note and was, for instance, 23 taels for the 70-cash bill, 71 taels for the 500-cash, and 121 taels for the 1,000-cash note.

#### PAPER MONEY UNDER THE TA CHING DYNASTY

The Ta Ching dynasty, Manchus, and therefore aliens, conquered China from the Mings in A.D. 1644 and extended their reign there until 1911. Fully aware of the mischief which the foisting of unsecured paper had caused upon an already pauperized population, the Manchus seemingly decided to gain the confidence of the populace by adhering to bronze and silver as media of payment. However, apparently these monetary metals were not available in adequate quantities. Therefore a hesitant attempt was made in A.D. 1651 to emit moderate quantities of fiat money, namely 128,171 *kwan* per annum. But after 10 years the issue was abandoned.

From then onward the Manchu emperors abstained from emitting paper notes, at least for the lengthy period of 192 years. When, in A.D. 1814 a high official petitioned the throne, counselling the re-introduction of paper money, emperor Jen-dzung declined the proposal, pointing out that neither Government, nor the country as such, had benefitted in bygone times from the circulation of paper.

In A.D. 1850 the Taiping Rebellion broke out in China, devastating the larger portion of China and lasting for 14 years. Costs of defense measures mounted to such an extent, that emperor Hsien Feng, beginning in A.D. 1852 and continuing for about six years, had to take recourse to the issuance of paper money in tael and cash denominations, namely taels 1, 3, 5, 10 and 50, as well as cash 500, 1,000, 1,500, 2,000, 5,000, 10,000, 50,000 and 100,000. These notes appeared on yellowish paper in large format.

Above are found 4 Chinese characters, denoting: "Ta Ching Precious Note". Then follows a rectangular frame, filled with dragons and clouds. In the central panel (middle) is seen the denomination, imprinted, as far as the cash notes are concerned. On the right the serial numbers, and on the left the date of issue. Below is found the legend in five rows of horizontally laid out ideograms, saying that this note is being used in place of official copper money and that it may be employed for the payment of taxes, etc. Actually government officials had to accept their emoluments 50% in silver, and 50% in such fiat money. Taxes were acceptable in the analogous ratio. The 1-tael silver certificates were fixed at 2,000 cash in paper.

The tael certificates were somewhat similar. However, while displaying the name of the ruling emperor, Hsien Feng, they omit the mention of "Ta Ching Precious Note". The rectangular frame, adorned with dragons and waves, encloses the note. Above in a small rectangle, it is stated in Chinese and Manchu script that this is an official note. On the right is found the serial number, and on the left

the date of issue, but both appear in inserted handwriting. At bottom four lines of legend in Chinese.

I possess all the notes enumerated here. In giving their measurements I am aware that these are by no means uniform in extent:

500 cash	23.5 x 12.9	cm	1 tael, 3rd year	25.5 x 16.7	cm
1,000 "	23.7 x 13.2	"	1 " 6th "	24.7 x 14.7	"
1,500 "	23.7 x 13.5	"	3 " 3rd "	24.3 x 16 "	"
2,000 "	23.7 x 12.2	"	3 " 7th "	24.7 x 15.1	"
5,000 "	24.1 x 12.8	"	5 " 5th "	24.3 x 14.7	"
10,000 "	25 x 13.5	"	10 " 6th "	31 x 17.7	"
50,000 "	27.5 x 14.5	"	50 " 4th "	30.5 x 17.7	"
100,000 "	27.6 x 14.5	"	50 " 6th "	31 x 17.8	"

The disregard of uniformity on the part of the Manchu authorities while typical, is of no consequence; already because the large issue was from the outset irredeemable and remained so until the inglorious end. By A.D. 1861 all the foregoing bills stood at a discount of 97%, and almost immediately thereafter they went down shameless and nameless with a 'value' of minus zero.

#### PAPER MONEY OF THE TAIPINGS

For motifs analogous to the attempts of Peking emperor Hsien Feng, his adversaries deemed it convenient to finance part of the costs of their rebellion by issuing paper money. Same was fashioned in the design and layout as per contemporary patterns. The author saw one such note (1 tael). The frame displays the usual two dragons striving for a fire ball. The note states in its upper part that it was issued by order of the Heavenly King; in its lower space it reminds the populace of this fact and assures his subjects that the note (same was dated 11th Year, or 1861) was useable for purchases of commodities, as well as for the payment of taxes. It warns that forgeries will be punished with severity in accordance with laws. Needless to say, these notes had a forced circulation and became valueless when the Taipings' devastating movements found their inglorious termination in 1864.

The Taiping Rebellion was of great—though sinister—significance. It lasted for 14 long years and claims the sad record of having caused the death of more than 20 million people. The Taipings' leader was a humble man named Hung Hsiu-chuan, born in 1813 in a village near Canton. He was of lowly derivation, being the son of a Hakka farmer. He devoted his youth to studies, but failed three times in passing the coveted literary examination. This lack of success preyed upon his mind so much that his health was impaired. During his serious illness he saw the Almighty enter his room, place a sword into Hung's hand and command him to initiate a crusade aiming at the extermination of the worship of devils. After his recovery he studied Christian tracts; shortly thereafter he applied for baptism, yet he never was formally admitted into the Church. He gathered numerous followers round his person and started, from the province of Kwangsi, toward the North, destroying temple idols and raising temples to the ground. The movement soon adopted the motto: Exterminate the Manchus. The rebellion is known as "Tai Ping", which term translates: Great Peace.

Needless to say, the movement culminated into a long war, when millions of citizens were slaughtered and huge tracts of land scorched. Hung soon adopted the title "Tien Wang", meaning: Heavenly King. He selected Nanking as capital for his new dynasty and claimed to be a brother of Christ.

The Taiping regime laid down a project of social and economic reorganization of life in China; farm land was redistributed amongst the people. The Taipings advocated equality between the sexes and equal opportunity of education. They interdicted concubinage, footbinding, slavery, the use of opium. Though the Heavenly King decreed these



reforms, he gave himself to a life of debauchery in Nan-king, where he maintained a harem. He had a very able General, named Chung-wang (Faithful King), but many years' endeavor on the part of the imperial Peking troops finally broke the resistance of the Taipings. This happened in 1864, when Hung Hsiu-chuan took poison and made an inglorious exit from a world of misery brought about by a deranged mind.

#### OFFICIAL ISSUES ABANDONED

The Hsien Feng notes at no time were popular. Some of the provinces' (e.g. Honan) land taxes had to be met in copper and silver only. Other districts, having only insufficient stocks of copper, resorted to the production of iron coins; however, these met with serious opposition and represented at best a makeshift. Although Honan Province declined to accept the then current paper, some of its officials bought up 1-*hwan* notes, or 1 tael silver notes in the market, for 400 to 500 cash. But they delivered these for presentation to the government Treasury at full face amount. The authorities' appeal to strictly adhere to existing monetary regulations, threatening severe punishment in instances of non-compliance, had but little effect. A proclamation, dated 1857, demanded that land taxes in Chihli Province (later on Hopei), as well as in Shuntien (Fengtien), were to be paid to the extent of 40% in silver, 30% in *pao-chao* (notes), and the balance in large copper and iron coins.

At the beginning of the Tung-chih period (A.D. 1862-1874) the devalued paper notes had entirely disappeared from the market. Later on, banking firms in different cities issued banknotes in terms of copper coins. But these retained validity in the place of their emission only. Such fiat money was neither initiated, nor controlled, by the Government.

Under such circumstances private initiative came to the fore; these banks were known as Chien-chwang. During the Taching regime there existed two principal banking centers. The one was situated in Shansi (North China), and its principal sphere of business was along the Yellow River. But its influence stretched out to Manchuria and Inner Mongolia, and also toward the West, up to Szechuen Province; the Shansi bankers were equally influential in Kwangtung Province, where branches were maintained.

The Shansi bankers were efficient and popular. They flourished under the Manchu Court and disappeared from the scenes conjointly with the Manchu House (1911).

A second banking group was inaugurated by Ningpo-Shanghai Chinese financiers. They controlled the rich Yangtze Valley and had headquarters in Shanghai. Notes issued were characterized with them and also with the Shansi bankers through the insertion of the amount payable by hand in Chinese ink and the addition of numerous vermillion chops. The Ningpo bankers gained considerable influence with the overseas Chinese in the then Dutch East Indies, in Siam, Malay, etc.

Besides, the silver smelting firms in North China used to issue notes in the form of promissory notes; these private concerns were known under the style of *loo-fang*. The latter, in Yinkow (Newchwang, Manchuria) emitted silver notes called *yin-fei* in various denominations on their own credit. According to Lien-Sheng Yang, these were redeemable at the beginning of the 3rd, 6th, 9th and 12th moon, but not in the intervals. Around A.D. 1900 the amount in circulation during each period was over 20 million silver taels. But during the republican regime this figure was reduced to about 2 million taels.

The memorable year of 1900, and the Boxer Rebellion inaugurated in that period, caused havoc in China's financial markets and enlarged the already precarious currency muddle. None of the vague attempts to stabilize the country's economic structure proved efficacious. In the opening of the 20th century Government founded a modern official bank (Hu-pu Bank), one of whose objects was the stabilization of China's money system and the regulation of an organized banknote circulation. How these aims were fated to proceed will be described in detail in the next section of this essay. Let us recall briefly that the intended currency reform of November 3, 1935, appeared to be the first really successful attempt at reaching order and stability. The scheme worked well for about 20 months. Then occurred the infamous Japanese aggression and a long war. The results had to culminate in a collapse of China's economy and a complete *deroute* of the Chinese monetary system. It was a repetition of examples which had happened in the course of the past 1,000 years: Financial ruin, due to Armageddon.

(To be Continued)

## FREE CHINA'S FINANCE MINISTER ON TRADE POLICIES AND PROSPECTS

Taiwan will make no deals, directly or indirectly, for the sale of its products to Communist countries. Taiwan's 1957 exports will earn the officially estimated US\$160 million of foreign exchange regardless of the outcome of Japanese trade negotiations, stated Finance Minister Hsu Po-yuan in an interview with our correspondent. High sugar prices, a program of internal trade improvement plus the continued development of Southeast Asia markets assure the anticipated volume of exchange earnings, he continued. The Minister was asked whether Taiwan would sell rice to Communist countries currently interested in exchanging industrial products for rice if the Sino-Japanese rice sales negotiations fell through. The Minister replied that no sales of any Taiwan products would be made to Communist countries under any circumstances, and the government would be alert to watch sales which could be diverted thereto by otherwise legitimate buyers. Assum-

ing that Japan does not buy any substantial amount of Taiwan rice in 1957, the Minister said that the rice available for export would be sold in other Southeast Asia markets. He also implied that Japan's purchase of 40,000 tons of rice from Communist China had nullified the political effect of the price concessions given to Japan in the purchase of Taiwan high-quality Peng-lai rice. Sales of Taiwan rice in Southeast Asia would easily result in as much foreign exchange from rice as in 1956, or possibly more.

It is anticipated that sugar will earn in excess of US\$95 million, and perhaps as much as \$98 million in 1957. This is a gain of \$19 to \$22 million over 1956. Metals and mining are also reasonably expected to result in additional substantial foreign exchange proceeds this year. The Minister stated that the increase in the CIF price of coal to more than US\$18 per ton should interest producers in coal exports. With a substantial increase in metal ex-



## TROUBLES OF APCs IN CHINA

Peking told the lower levels of the Party and State cadres over and over again that the peasants would judge the superiority or otherwise of the higher APCs from the actual income during this year. At the beginning of December the peasants began to get the answers to their questions. An editorial in the Peking People's Daily asserted that production had increased in 1956 by an "overwhelming majority" of the APCs. Production remained unchanged in the case of some of them. In other cases, production had declined. In these cases effective measures were necessary at once to remedy matters. Judging from the distribution of the autumn harvests in each district, an increase in the income of each member is still not assured unless a heavy task is carried out. Many cadres of the co-operatives are not experienced in leading big co-ops; certain of the APCs for a time spent their money lavishly; some of them have given up valuable side occupations; some co-ops suffered from confused operation and management and muddled accounts.

All this affected the distribution of the autumn harvests, and made it very complicated indeed. In some of the big ones, production conditions were different between villages and between teams, the working days given by

ports, principally aluminum ingots, the gain in this category should be at least approximate US\$1 million.

Private exports, which have been variously stated at US\$38 and \$41 million because of a difference in the method of breakdown, will gain some US\$8 million in 1957. This will be accounted for in (a) greater volume of imports processed for reexport, (b) quality improvement, (c) increased sales to Southeast Asia and (d) better world prices on certain commodities. Bananas, which were in short supply last year, should produce a normal crop for which there is an exceptional demand. The special exchange rate granted banana exporters in 1956 may be renewed on a temporary basis in 1957, if the situation warrants it, Hsu said.

Taking into account the items discussed above, a US\$19 to \$22 million increase in sugar receipts, US\$1 million in metals, and US\$8 million on private exports, the US\$160 million export goal may well be attained, a US\$30 million gain over 1956. However, this will necessitate some slight increase in imports of raw materials for processing, thereby reducing the net gain somewhat.

Internal trade stimulation measures will include encouragement in the formation or expansion of industry and trade organizations, under government guidance, for the purpose of (a) securing markets; (b) improving quality; (c) furnishing adequate credit for operations and (d) assuring that the full measure of foreign exchange earnings is reported. When asked whether the policy of the government was toward monopolies in export operations, Minister Hsu replied that such was not the case. Membership in these organizations under government guidance would be completely voluntary and each one would be operated by its own membership, Hsu said. He further stated that such organizations did not contemplate the imposition of production quotas or financial support of a vertical combination.

Industries processing imports for reexport will be given all of foreign exchange necessary to take care of their processing requirements. There will be no general exchange retention provision which will be applicable to all exports, nor will there be any revaluation of the New Taiwan Dollar, Minister Hsu said.

— Charles H. Barber  
(Taipei)

members are not the same, and the actual value of working days is also different. Unified distribution of the harvests is unlikely to satisfy each and all. In a number of APCs, members who performed more and better labour often stress "more payment for more work" and demand more grain while those members who have given less working days have to be provided with adequate rations. At the same time, fulfilment of the State targets of taxation and procurement must be ensured. It is by no means an easy thing to meet all these demands. Apart from this, such questions as to how to subsidise cadres who have given less working days because of the performance of public duties, and how to deal with the remaining problem of the means of production turned over to the co-ops, are quite complicated.

The editorial then gives counsel of perfection as to the methods necessary to deal with these complications and goes on to warn that if a few cadres deal with the questions themselves instead of following the mass line, their time and energy will produce only evil. Cadres must present members with a true picture of things, must study with members how to solve the concrete problems, and rely on the intelligence of all. Then this mass line will surely devise ways and means. An example is given of a typical controversy, with the Liukang APC in Yangchiang county, Kwangtung, as the object lesson. The APC there owed its members a large sum of production investments and payment for work and the members concerned demanded full settlement of the accounts during distribution of the autumn harvests. Cadres of the APC found it very difficult to do so. Later, the cadres called forums of members to check up its operation and management and go over the income and expenditure accounts of this co-op, and asked the members present to study how to solve the question.

Seeing that the co-op was really in difficulties, members were willing to share the difficulties with the cadres and voluntarily asked the administrative committee to refund a part or a greater part during the distribution of the autumn harvests this year, leaving the balance to be repaid next year. As a contrast to this, the bad example was cited of the Huanpan hsiang APC in Hunan, where the distribution scheme was worked out industriously by several cadres and not discussed with members at all. Seeing that the work points were not clearly recorded and output was underestimated, its members in general were not satisfied and over ten of the households wanted to quit the APC.

The reason why the mass line was ignored was that basic level cadres were afraid of the difficulties. They felt that discussion with the masses would get nowhere and be another waste of time caused by innumerable meetings on this, that and other thing. So they reckoned the accounts and distributed the grain themselves. But these cadres ought to realise that if they are apprehensive of trouble now, surely there will be greater trouble hereafter. "How can a few persons divorced from the masses reckon accounts clearly behind closed doors?" Certainly discussions with the masses will involve more time and work but it is very necessary.

Another trouble is that some of the cadres set the production increase targets too high last spring and announced how much would be gained by each working day. These targets were not fulfilled and they find it difficult to call the masses together for the distribution work and to apologise for their miscalculations. But this they must do in any case. They can plead inexperience and emphasise that nobody wanted to cheat the members. Some co-op members want the grain distributed first, the more the better, leaving the State targets of taxation and procurement of surplus grain to be covered by what is then left. Some of the cadres, trailing behind this "backward" idea, agree to do so, which is wrong. Cadres have the duty to hear the views of the masses as well as the right to educate and raise them. They should patiently persuade the masses to take care of both the present and the future and both of themselves and of the State. They should meet the



## CHINESE PEASANTS' INDEBTEDNESS

Peking gave great prominence to a statement at the beginning of January that the Government's agricultural loans in 1956 totalled 3,200 million yuan (about £470 million). The report says that loans issued amounted to 100 million yuan more than the value of the grain delivered to the State by the peasants in 1956. On February 10 it was announced no less than 3,000 million yuan in loans remained outstanding and that the loans to be issued in 1957 to the APCs would be cut down to 900 million yuan (equal to about £130 million), most of which will be distributed before the spring sowing. The loans, mainly for the APCs, will be used to buy farm implements, fertilisers, seeds and other means of production. Part of the money will also go to individual peasants to overcome their difficulties. The amount outstanding, equivalent to the total of 1956 agricultural tax, means that the peasants retained the value of their production that year.

The Peking Government, which was shocked last autumn to find that grain controls had failed to be effective in many parts of the country, were also worried about the great sum of agricultural loans outstanding. Consequently the State Council issued a Directive on this issue at the end of October, insisting on the calling up of these loans. The total set for 1956 was 2,600 million yuan which, plus the outstanding loans still to be called in, made a gross total of 3,600 million yuan. Apparently farmers and rural cadres alike had developed the idea that if between 30% and 40% of the loans were repaid that would be good enough!

Peking complained also that the cadres attached no importance to the absorption of deposits in the rural areas and that active preparations for calling in the loans and even the disposition to do so were lacking. There were even cases where cash deposits paid in advance were not deducted while full payment was made in procuring agricultural and subsidiary products—so the farmers were having their cake and eating it also. Still more, "impractical expectations" were being entertained with regard to the agricultural loans to be extended in 1957—that is to say, they were expecting still larger loans. Thus on the one hand no efforts were made to call in the loans that ought to be called in and on the other hand a large amount of loans were still expected from the State. Accordingly the serious attention of those responsible for rural financial work was called to this matter. They were told to make it plain that such a considerable increase in loans is not possible every year from the viewpoint of State finance and resources; nor was it necessary to the production carried on by the APCs and the peasants.

A number of the comrades pinned their hope for increased loans in 1957 completely on the new increased tar-

demands of all sides on the basis of the State first and private side next. The less the income the more do the peasants demand fullest details of income and expenditure, and a truthful and complete account is therefore necessary while trying to find out why production declined, whether it was due to irresistible disasters, to failure in thrifty and industrious management, to waste, to loss of side occupations, or to defects in operation and management. If the cause is found out, ways and means can be found out to correct it. Some cadres committed errors of coercion, causing dissatisfaction and even misunderstanding and quarrels between cadres and members. The cadres should sincerely criticise themselves and members in their turn should realise that most of the cadres want to run the co-ops successfully and that their defects and errors can be corrected.

get. But according to the latest trial balance of the State finances and cash, a substantial increase of loans over and above the existing loans will improperly affect industrial construction and investments in other projects and will lead to strained finance, credit and commodity supply. Any increase of agricultural loans in 1957 should, apart from a slight increase of targets by the State, primarily depend on the calling in of agricultural loans at expiration. The more the old loans are called in the more will be available for new loans. Old and new loans due to expire this year (1956) will amount to 3,090 million yuan. If a good job is done the greater part of these loans can be called in and set aside as agricultural loan funds for the next year.

Some of the cadres think it desirable to ensure increased income for 90% of the co-operative members by deferring the repayment of the loans. This view is also declared erroneous. In respect to long-term loans granted for capital investments and co-operative funds for poor peasants—loans which do not get returns in a short time—the State has already stipulated their repayment after two or three years. Short-term loans granted as production fees and living expenses should be repaid at their expiration after harvests. The increase in income for members of the APCs must depend on the increase of production, the development of multiple undertakings, retrenchment and the correct distribution of accumulations of a co-operative. To defer repayment of loans does not mean real income but the appropriation of State cash and an extra burden imposed on the APCs. It goes without saying that repayment at expiration may be deferred or reduced in calamity-stricken areas or other extraordinary circumstances. It is wrong to force the calling in of loans regardless of such circumstances. But in their absence the principle of repayment at expiration should be adhered to in general areas.

The Directive also declared that conditions are favourable to the development of savings deposits in the rural areas after the autumn harvests this year in areas where there were no calamities. Each co-operative will, after disposal of its agricultural and subsidiary produce, keep the necessary amount of reserve fund, welfare fund and production fees which will be used only in the spring of 1957. Members will acquire the cash distributed by the APCs. Propaganda should be stepped up and work improved to convince the cadres and members of the APCs that to deposit their funds with the banks and the credit co-ops will increase the credit strength of the State and ensure certain interest income for themselves. As long as deposits are voluntary and withdrawals are convenient, rural deposits can be increased to a considerable extent.

The Directive says that the State Council directive in July, 1956, correcting methods of coercion practised by some banks and credit co-ops in absorbing deposits and enlarging share capital, has produced its expected results. Methods of coercion will only spoil matters at all times. But to refrain from methods of coercion does not mean that work need not be done penetratingly and actively and that a wait-and-see attitude may be adopted and matters allowed to take their own course.

The State has paid over 1,000 million yuan cash deposits for advanced purchase of produce this year. This system of advanced purchase is still to be introduced step by step but the credit of the system must be maintained, settlement must be completed in good time, and except in extraordinary circumstances, settlement must not be delayed.



ECONOMIC DEVELOPMENTS IN JAPAN

Bicycle Exports in 1956

Export of completed bicycles and their parts during 1956 calendar year amounted to \$9,450,000, with the export target of \$10,000,000 for the year just met. Out of the 51,283 completed bikes exported, 14,000 went to Communist China. The value consists of 11 percent of completed bicycles and 89 percent of parts. Total value of exports which showed a 12 percent increase over the preceding year would become \$14,820,000 when the value of accessories such as tires, tubes, lamps, and others exported is taken into account.

Exports of completed bicycles in the preceding five years were:

Years	Value	Years	Value
1951	\$10,895,000	1954	\$6,898,000
1952	7,313,000	1955	8,473,000
1953	6,453,000		

Though not comparable to 1951, the \$9,450,000 of last year was far better than any one of the four years in the immediate past.

The chief buying countries were:

Countries	Value (in \$1,000)	Percentage to Total
Indonesia	2,350	24.9
Hongkong	1,339	14.2
Singapore	670	7.1
Thailand	591	6.3
India	418	4.4

The export target for this year is \$15,000,000.

Petroleum Consumption for 1957

The Petroleum Association of Japan estimates consumption is to increase this year by 20 percent amounting to 14,590,000 kilo litres. Production of petroleum products was greatly raised in 1956 fiscal year. Producers turned out 213,000 barrels a day in the first half of the period and 248,000 barrels a day in the second half. Sales amounted to 3,300,000 kilo litres of gasoline, 740,000 kilo litres of kerosene, 960,000 kilo litres of light oil, 7,110,000 kilo litres of heavy oil, and 140,000 kilo litres of others totalling 12,250,000 kilo litres. Taking into account this enlarged consumption of 1956 fiscal year and the upward trend in

industrial activities at present, the Association estimates for 1957 fiscal year:—

Categories	Consumption Estimated (in kilo litres)	Comparison with 1956 fiscal year
Gasoline	3,900,000	18% up
Kerosene	1,000,000	33% up
Light oil	1,090,000	14% up
Heavy oil	8,600,000	21% up
Total	14,590,000	

Cotton Products

Reflecting worldwide prosperity, both production and exports of cotton yarn and textiles attained extremely high levels in 1956, and are expected to continue to rise this year. Production of cotton yarn during October-December last year reached 705,908 bales (1 bale = 400 lbs.), and total output in 1956 set a postwar record of 2,543,980 bales. Output of cotton textiles during the same period aggregated 888,571,000 square yards, and total production in 1956 established a postwar record of 3,300,521,000 square yards (17.3 percent higher than 1955). Cotton goods delivered to the domestic market during the last three months of 1956 reached a high level of 168,717,000 lbs., and total delivery for home consumption in 1956 hit a postwar high of 645,152,000 lbs. Cotton products for domestic consumption for the January-March period of this year overtop the monthly average of 112,000 bales recorded for the corresponding months of last year. Production of cotton yarn during the same period averages 225,000 bales a month.

Bank Loans in 1956

Since July last year loans by banking institutions continued to rise reflecting ever-mounting demand for industrial funds. The trend is intensified this year in view of the rising demand for funds from key industries. Loans for equipment investments during the year rose to Y299,000 million, exceeding the previous high of Y200,700 million reached in 1953. Commercial banks played a big part in supplying long-term industrial funds. A sizable increase was observed in loan extensions to such industries as chemical fiber, paper and pulp, machinery, shipping, and commercial houses, wholesale and retail.

Total loans by the banking institutions to industries during last year amounted to Y844,600 million.

KOREA'S FINANCE AND BANKING

The fiscal administration of the Republic of Korea in 1955 was highlighted by two major developments: (1) the new exchange rate of 500 Hwan: \$1. that was agreed to and signed between ROK and the US at the Washington Conference on August 15, 1955; and (2) the subsequent roll-back of commodity prices and service charges of Government enterprises and the overall budget cut which followed—including the roll-back of pay increases for civil servants and other basic administrative and business expenses.

Strenuous effort was made in combatting spiral inflation with budgetary and credit control measures. The balanced budget principle had been vigorously sought and the quarterly financial program was being carried out steadily in the

implementation of the budget in order to minimize the budget deficit and monetary fluctuation. As for the latter, both quantitative and qualitative credit controls were reviewed and further enforced with measures of credit ceiling systems and selective credit allocation on a priority basis, with the sole criterion of higher productivity.

In general, a new phase has been developed in public finance and banking in the Republic of Korea. There were considerable reforms on the budgetary, banking, and taxation systems, combined with more efficient management and the speedier implementation of the foreign aid programs by integrating them with domestic and local financial and economic policies.



Practically, the Government collected 67.0 billion Hwan of domestic revenue throughout the first five quarters of FY '54-'55, the component sources of which were: taxes, 34.9 billion Hwan; customs, 17.6 billion Hwan; profit from Government monopolies, 5.9 billion Hwan; sales nets from vested property auctions, 2.2 billion Hwan; and others, 6.4 billion Hwan. On the other hand, \$183,000,000 worth of aid goods arrived as part of the 1955 fiscal year foreign aid programs; proceeds from the sale of aid goods reached 44 billion Hwan and the amount supplemented the national budget during FY 1955 in supporting military and reconstruction expenses.

Two important Agreements which were signed during the year were the "Memorandum of Understanding Concerning the Procedure for the Operation of the UNKRA Counterpart Fund" and the "Surplus Agricultural Commodities Agreement between USA and ROK, under Title I of the Agricultural Trade Development and Assistance Act."

In the monetary field, as of the end of 1955, 62.4 billion Hwan of bank notes had been issued—as compared to the issue of 41.7 billion Hwan at the end of 1954, a 50% increase. However, analysis reveals an increased confidence in deposit accounts. By the end of the year, the total of deposits amounted to 48.7 billion Hwan.

In the foreign exchange area, 24.5 million dollars in holdings were sold and in return 12.2 billion Hwan collected. An acute shortage of dollars existed during the year, due largely to the decline of Hwan currency loans to the United Nations Command and the drop in receipts from the sale of tungsten.

Price movements showed an upward trend during the first nine months; however, the trend was downward during the last quarter. The general wholesale price index rose from 11,300 (1947=100) in January to 17,729 in September, but it declined to 14,330 in December. The fundamental cause for the decline which began in October was the sale of Government-owned foreign currencies and the tighter control of budgetary deficit and credit expansion.

### New Budget Policies

The original budget of FY 1955-'56 was presented to the National Assembly and it was passed on July 31, 1955. The size of the budget was broken down into the following categories: the total expenditures, including the General Budget, Military Budget and the National Bonds Special Account, amount to 167,872 million Hwan (the General and National Bond Budgets totaling 76,749 million Hwan and the Military Budget, 91,123 million Hwan); on the other hand, the total revenues amount to 147,788 million Hwan.

Seeing no possibility of finalizing this budget before the beginning of the new fiscal year, a provisional budget for the month of July was presented and it was passed by the National Assembly on June 22, 1955. The original budget had to be revised in accord with the major changes on the roll-back on rail, communications, cigarettes, and salt charges, plus the additional expenditures accrued from the direct handling of fertilizer by the Government. The revised budget showed a total expenditure of 149.2 billion Hwan, (General Budget, 73.9 billion Hwan; Military Budget, 75.3 billion Hwan) against a total revenue of 135.5 billion Hwan (General Budget, 107.5 billion Hwan; U.S. Surplus Agricultural Commodities, 8 billion Hwan; and Counterpart transfer, 20 billion Hwan)—thus leaving a 13.7 billion Hwan deficit.

Later, in accordance with a Presidential instruction concerning a balanced budget, the first revised budget was again revised to eliminate the budget deficit completely in order to formulate the perfectly balanced budget which had been the long standing objective of the Government and the Finance Ministry. Thus, the 20.1 billion Hwan deficit

in the original budget was reduced to 13.7 billion Hwan in the first revised budget and entirely eliminated in the final revised budget.

An important step forward in new budget policies was taken also when the new quarterly budget system was introduced by the Ministry. Its purpose is to moderate cyclical fluctuation and to adjust gaps between requirements and availabilities on a more ad hoc basis.

The Budget Bureau of the Ministry of Finance also formulated a series of legislative proposals to present to the National Assembly for enactment. These proposals, designed to further streamline the work of the Ministry, suggested a revision of the Financial Laws, a revision of the Special Defense Accounts, a regulation of the Fertilizer Control Special Accounts, and the abolition of the Korea Salt Monopoly Laws.

### Tax Administration

The collected amount of taxes was 95.6% of the assessed amount, the highest percentage since the establishment of the Government. And, at the same time, the number of tax collectors has been reduced from 8,245 to 6,729.

The government computes the national income according to the following classification: income from the cost of production (wages, interest and rent), profit accrued to the individual (income of the individual—except judicial persons, dividends and bonuses), income of corporations (except dividends and bonuses), Government income (surplus from public enterprises), overseas income (balance of international transactions, excepting foreign trade). The Gross National Product is now computed as being 1,507,700 million Hwan. The Net National Product, which is computed by deducting the costs of productive goods from the Gross National Product, is 542,100 million Hwan, divided as follows:

(Item)	(in million Hwan)
Wages	200,900
Interest and Rent	25,300
Profit of individuals	302,500
Corporate income	6,700
Government income	7,700

The national income has increased, therefore, over previous years, although the rate of increase of real income has been very small when allowance is made for the decreased value of the currency. The following statistics reveal the steady achievements of the ROK financial policies:

	1953 (Million Hwan)	1954 (Million Hwan)	1955 (Million Hwan)
National Income	191,330	343,167	542,123
Income Per Capita	9,710 Hwan	17,918 Hwan	27,887 Hwan (about \$55.)
Rate of Increase		79.3%	58.0%

The principal source of ROK revenues is taxation and the national burden is 19.6% of the national income. The following table illustrates the rising yield of taxes:

	1954 (Million Hwan)	1955 (Million Hwan)	% Increase
Direct Taxes	16,064	28,074	75
Indirect Taxes	11,515	19,172	66
Land Income Taxes	6,458	7,899	22
Customs Duties	6,763	13,915	106
Local Taxes, Others	15,207	34,718	128

The increase of the land income tax is due to the increase of the grain prices, though the tax rate itself has been reduced.

The collection of taxes was more satisfactory during 1955 than in previous years. The total amount assessed was 36,095,100,212 last year. The total amount actually collected was 29,923,635,914 Hwan, leaving an uncollected deficit of 2,076,703,563 Hwan. The Land Income Tax in kind was collected nearly in full: the assessed quantity being



4,601,339, the collected quantity being 4,195,043, leaving a balance of 406,296.

Two major pieces of tax legislation were promulgated in 1955. In order to lighten the burden of the farmers, the land income tax was reduced by 18%, as stipulated by the "Revised Temporary Land Income Tax Law (No. 375) promulgated October 31st. Exemptions were given to devastated farm lands which had not been cultivated and to destroyed areas during the first year of recultivation in the "Revision of the Enforcement Order of the Temporary Measures for Taxation" promulgated on October 31st.

#### Banking and Bonds

With the view of avoiding unnecessary competition, economizing operational expenses, and providing for the better allocation of banking personnel staffs, cuts in the number of branches of commercial banks were ordered. Seventeen of the bank branches were eliminated, as shown below:

Bank	Existing Branches	Cut
Cho-Heung Bank	54	4
Korea Commercial Bank	33	5
Korea Savings Bank	36	3
Korea Heung-up Bank	34	5
Total	157	17

At the same time, three new major mutual savings and trust companies were organized and chartered. The Taegu Mutual Finance Association was capitalized with 100 million Hwan by Lee Soon Hee, the Dong-A Mutual with 100 million Hwan by Hwang Kyung Soo, and the Korea Trust Co., Ltd., with 100 million Hwan by Chang Bong Ho.

At the end of December, 1954, the issuance of bank notes had amounted to 41,659 million Hwan. There was an increase of 2% in the amount of 42,493 million Hwan by the end of June, 1955. By the end of December, 1955, the amount of increase was 47%, the total issue of bank notes reaching 62,418 million Hwan. This heavy increase was caused by the seasonal release of grain purchasing funds and the increased financial requirements at the end of the year. However, by January, 1956, the trend was reversed and a considerable decrease was effected, with the total going down to 58,368 million Hwan.

Since the establishment of the new exchange rate, the necessity arose to amend some parts of the standing credit policy. A provisional, quarterly credit ceiling system was installed by the Ministry. Under it, all bank loans to private business exceeding 10 million Hwan require the prior approval of the Governor of the Bank of Korea. All loans must be reported in full to the Monetary Board each month. In addition, all procedures for loans by the Korea Reconstruction Bank exceeding 10 million Hwan require the prior approval of the Minister of Finance.

The Finance Ministry completed the drafting of the charter and regulations of a new "Agricultural Bank." The new bank is designed to be a credit-granting institution for the average Korean farmer.

Korea formally joined the IMF and IBRD on August 27, 1955, when Ambassador to the U.S. Yang You Chan signed the instruments of ratification.

The National Bond issue last year was in the amount of 5,000 million Hwan, up 1,700 million over 1954. As of December 31st, some 3,200 million Hwan worth of the bonds had been subscribed to, compared with 3,300 million Hwan the previous December 31st.

#### Customs Administration

During 1955, \$300,000,000 worth of imports and exports were cleared through ROK customs houses. The

duties collected in the 1954 fiscal year (from April, 1954, to June, 1955) were 17,540,495,771 Hwan; during the remainder of 1955, an additional 11,222,374,210 Hwan in duties were collected—about 47% of the estimated amount in the budget.

Increasing attention was paid to the prevention of smuggling. Some 2,774 cases of attempted smuggling were brought to light, and 1,546,859,805 Hwan recovered. Pusan continued to be the focal point for smuggling attempts. The Pusan Customs House authorities solved 1,298 cases and recovered 906,950,685 Hwan worth of goods.

#### Property Custodianship

The following national enterprises were leased to individuals for management during the past year:

Korean Textile Co. Orient Textile Co. Seoul Textile Co. Puksam Chemical Co. Samchok Cement Co. Korean Textile Co., Taegu. Samaung Silk Co. Korean Tire Co. Korean Fat Co., Inchon. Korean Fat Co., Yungdongpo. Korean Weights and Measures Instrument Co. Korean Tannery Co.

In addition, the Bureau of Property Custody disposed of over 2,000 smaller pieces of vested property, including 8 enterprises, 781 buildings, and 1,379 parcels of land. Rent receipts from vested properties amounted to 2,663,022,731 Hwan, an increase of 70,218,148 Hwan over the previous year.

#### Monopoly Bureau Administration

The total revenues realized from the operation of the Government monopolies—tobacco, salt, and Ginseng, mainly—were 15,245,564,384 Hwan; the total expenditures for operations were 13,243,698,631 Hwan. Out of the balance of 2,001,865,753 Hwan, 1,500 million Hwan were transferred to the General Account by the end of December.

The 1955 tobacco production was about average, despite unfavourable weather conditions and the decreased enthusiasm of some of the cultivators, thanks to increased efforts of the production supervisors and of the Ministry of Finance. A total of 26,604,856 Kg. of tobacco leaves was collected during the past year. The revenue from the cigarette taxes was 12,307 million Hwan during the first two quarters of 1955.

The Ministry has also been responsible for the construction of new salt-fields. Last year, construction was completed on the bank (1,700 meters long) of the new Banwol Salt-field. Also, the breakwater of the First Salt-field of Suhsan, which will be 580 chungbo in acreage, was completed. Numerous new bridges and railheads were built to expedite the transportation of salt.

About 92% of the target goal in the production of salt was achieved. Government-owned salt-fields yielded 120,000 tons and private salt-fields yielded 266,000 tons—a total of 386,000 tons. Of this amount, 300,000 tons were sold at a cost of 4,024 million Hwan.

Because the manufacture of red Ginseng had been halted on account of the Communist occupation of the Kaesong area, a scarcity of red Ginseng in the foreign markets is anticipated when the present stocks are exhausted. Therefore, the Government established a six-year plan to increase production of Ginseng and has designated Kumsan-gun in Choongchang-pukdo and Puyu in Choongchangnamdo as special areas for Ginseng experimentation and cultivation. The acreage involved will total one million pyong by 1961. Thirty million Hwan have been earmarked as a special fund to promote this project. Last year, via a contract with the Daehan Industrial Co., \$48,000 was realized on the sale of Ginseng abroad.



# THE INDUSTRIAL DEVELOPMENT OF PAKISTAN

## 1. JUTE

Starting from scratch, Pakistan has, at present, 13 jute mills with an installed capacity of 7,500 looms. They are: Adamji Jute Mills (Narayanganj (3 units)—3,000 looms; People's Jute Mills (Khulna)—750 looms; Platinum Jubilee Jute Mills (Khulna)—750 looms; Crescent Jute Mills (Khulna)—500 looms; Ispahani Jute Mills (Chittagong)—500 looms; Bawani Jute Mills (Dacca)—500 looms; Daulatpur Jute Mills (Khulna)—250 looms; Karim Jute Mills (Dumra, Dacca)—250 looms; Dacca Jute Mills (Dacca)—250 looms; and Hishat Jute Mills (Dacca)—250 looms.

Out of these 7,500 looms, so far 6,000 have been installed and the remaining 1,500 are under installation. Production of jute goods from April, 1955 to March 1956 amounted to 121,447 tons valued at approximately Rs. 144 million out of which 745,000 tons were exported, earning exchange to the tune of Rs. 100 million.

When all the 9,000 looms, currently under installation or projected for the next financial year, are in production on a double shift basis, Pakistan should be in a position to produce 270,000 tons of jute manufactures valued at approximately Rs. 320 million.

The present plan is to achieve the final target of 15,000 looms to be installed by 1961 at an estimated cost of Rs. 420 million.

## 2. BOARD AND PAPER MILLS

The Karnaphuli Paper Mills Ltd., with a capacity of 30,000 tons of paper per year, was completed in October, 1953, at a capital outlay of Rs. 600 million.

The present production is 85 to 90 tons of paper per day from indigenous pulp. The quality of the Karnaphuli Paper has now considerably improved and it is producing paper of 20 different varieties.

The high-grade board and paper mill at Nowshera started initial production on November 11, 1955, and the strawboard mill at Rahwali came into partial production on December 1, 1955. Each of these mills is producing 7,500 tons per year of high grade board and strawboard. The total investment on the two Mills has been Rs. 18.4 million and Rs. 12.1 million respectively. With the three mills in full production, Pakistan has become self-sufficient in various varieties of paper and board, effecting a foreign exchange saving of approximately Rs. 45 million and providing employment to 5,000 persons.

Preliminary investigations have been completed for the establishment of a newsprint factory near Khulna with a capacity of 35,000 tons per annum. The project is estimated to cost about Rs. 197 million.

## 3. SHIP-BUILDING

The first phase of the Karachi Shipyard has been completed except for the Commercial Dry Dock which is expected to be ready in July 1957. The total estimated cost of this project is Rs. 39 million.

This Shipyard is capable of undertaking repairs and construction of small sea-going ships of all kinds up to 7,000 D.W. tons. The second phase aims at the building of sea-going vessels up to 12,000 D.W. tons. The Shipyard has

already started building steamers and barges and over-water repairs to sea-going vessels.

The construction of dockyards at Khulna and Narayanganj is also in an advanced stage, and when completed, they will undertake repairs of diesel engines and riverine craft as well as manufacture of small boats to meet the requirements of inland marine transport. The Khulna Shipyard will have a capacity of handling up to seven boats at a time.

The ship-building industry in Pakistan is going to be a commercially profitable concern and has all the potentialities of its emergence as a most vital and top-ranking industry of the country.

The Khulna and Narayanganj dockyards, on which over Rs. 20 million were spent, were completed in 1956.

## 4. HEAVY CHEMICALS AND PHARMACEUTICALS

A caustic soda plant with a capacity of 10 tons per day, and a D.D.T. plant with a capacity of 700 tons per year, have been established at Nowshera. Both these plants have been in operation for nearly a year now.

The sulphuric acid plant at Lyallpur was completed in October, 1954, and orders have been placed for a superphosphate plant with an annual capacity of 6,000 tons. Another plant at Rawalpindi known as the Kurram Chemical Works is capable of processing about 600 tons of artemesia per year and has an annual production of about 7,000 kilograms of santonin. A Penicillin plant has been set up at Nowshera. In the private sector, vialling of antibiotics and packing of milk-food have already been started. Some of the units are also engaged in preparing tinctures and extracts from local herbs and indigenous alcohol.

In addition to the existing units M/s. Ferozsons Ltd., and M/s. East Pakistan Pharmaceutical Ltd., have set up their pharmaceutical factories in Nowshera and Dacca.

There is a Soda Ash factory producing Soda Ash used mainly in the manufacture of glass and Sodium Silicate. A Sulphuric Acid plant has been in production for the last three years. It also started manufacture of Hydrochloric Acid and will be producing in addition Nitric Acid shortly. This plant would also produce Sulphate of Alumina and Magnesium Sulphate. There are also two other factories producing Sulphuric Acid and Hydrochloric Acid.

## 5. PLASTIC INDUSTRY

The plastic industry has made rapid strides. There are at present over 250 manufacturing units with a production capacity sufficient to meet the home requirements as well as to leave a margin for export.

## 6. FERTILIZERS

The fertilizer factory at Daudkhel costing Rs. 80 million and with an annual capacity of 50,000 tons of ammonium sulphate will start production by April this year. The Government has decided to set up a second fertilizer factory, based on Sui Gas, near Multan with a capacity of 200,000 tons. Another factory with a capacity of 100,000 tons, is to be set up in Sylhet where natural gas has been recently discovered.



## 7. CEMENT

One of the great impediments in the way of the construction and industrialization programmes has been the shortage of cement. The role of cement in modern engineering works and its necessity and importance in a country like Pakistan, which has undertaken huge construction works and has ambitious development programmes, cannot be over-emphasized.

In 1953, there were only five cement factories in production in Pakistan viz., Dalmia Cement Factory (Karachi), 160,000 tons per year; Dalmia Cement Factory (Dandot), 75,000 tons per year; A.C.C. (Rohri), 90,000 tons per year; A.C.C. (Wah), 225,000 tons per year; and Assam-Bengal Cement Co., (Chittagong), 50,000 tons per year.

The production of all these factories in the year 1955 was only 700,000 tons against the country's requirements of over one million tons per annum.

To meet the growing needs of cement in the country, the Pakistan Industrial Development Corporation planned to produce 400,000 tons of cement per year. The Cement factory, one at Daudkhel, set up with a cost of Rs. 42 million has an annual capacity of 100,000 tons, and with further expansion at a cost of Rs. 18 million, this factory will produce 150,000 tons annually. The cement factory at Hyderabad which came into operation in January 1956 has a production capacity of 800 tons a day and with further expansion at a cost of Rs. 15 million, it will produce 1,200 tons a day.

## 8. SUGAR

Pakistan's annual requirements of sugar have been assessed at 250,000 tons for domestic consumption and 15,000 tons for industrial purposes, making a total of 265,000 tons. Although considerable progress has been made in the production of sugar, it has not yet been possible to meet more than a third of the requirements of the country from indigenous sources.

The production of sugar in Pakistan was 87,000 tons in 1955 as compared to 31,003 tons in 1947-48.

The Pakistan Industrial Development Corporation chalked out its programme for erecting in all 10 factories, three in East Pakistan and seven in West Pakistan. The Jauharabad Sugar Mill costing Rs. 10 million and with an annual capacity of 12,000 tons, came into production in February, 1955; the Charsadda Sugar Mill, costing Rs. 15 million and with a capacity of 18,000 tons annually, started operating in May, 1956. The Rangpur Sugar Mill costing Rs. 20 million and with a total capacity of 20,000 tons annually has just started production. Work has started at the sites of two sugar factories in East Pakistan—one at Thakurgaon in Dinajpur District and another at Kumarkhali in Kushtia District. The present production of sugar in Pakistan is about 120,000 tons a year.

The success of sugar industry largely depends on the regular supply of cheap and good quality sugarcane, and to ensure this, the Corporation has planned to set up farms to feed the mills. A farm costing Rs. 5.4 million is being set up at Rangpur and another seed-multiplication farm, covering an area of 500 acres, is being developed in the Lower Sind Barrage area near Tando Mohammed Khan at an estimated cost of Rs. 1.2 million.

## 9. WOOLLEN TEXTILES

As regards woollen industry, there were practically no mills in Pakistan at the time of Independence. Next to

jute, cotton, hides and skins, wool is the most important raw material of Pakistan. The annual production of wool is 28.5 million lbs., and almost the entire quantity was exported as raw material at very uneconomical prices, while all the woollen manufactures were imported from abroad at high prices.

To meet this situation, the Pakistan Industrial Development Corporation planned to set up three woollen mills in the wool-producing areas. Two mills, one at Bannu and the other at Harnai, went into production in November 1953.

Each of these mills is capable of producing 40,000 bar-rack blankets, 400,000 lbs. of carpet yarn dyed in suitable colours for distribution to the cottage industries and 270,000 lbs. of fine tweeds, ladies dress goods and other fine quality woollens.

Roughly the two mills, between themselves, produce goods to the value of Rs. 5-6 million per annum.

The third woollen mill set up at Quaidabad in association with the Thal Development Authority, started trial production in May, 1956. The production capacity of this mill is 1.2 million lbs., per double shift and has cost Rs. 2.5 million. There are 15 other woollen textile mills with 24,000 worsted and 15,700 woollen spindles working in the country.

## 10. NATURAL GAS

The discovery of gas and completion of 350-mile long pipeline from Sui to Karachi, in July, 1955, at a cost of Rs. 5 million was a landmark in the industrial development of Pakistan.

Natural gas is already being supplied to the bulk of industrial consumers in the Karachi area. Separate companies have also been floated for distribution of gas to smaller consumers in Karachi, Hyderabad and Sukkur. The maximum capacity of the pipeline is 70 million c. feet per day.

The construction of another pipeline from Sui to Multan is in full swing. The length of the pipeline is 196 miles and its capacity is 50 million c. ft. This pipeline would later be extended to Lyallpur and Lahore at an estimated cost of Rs. 90 million.

The construction of a power station of 127,000 k.w. capacity at an estimated cost of Rs. 105 million at Multan has started. This plant would supply power to iron and steel plant, Multan and to other industries.

Later transmission lines will be taken from Multan to important industrial towns in the north, at an estimated cost of Rs. 28 million.

This comprehensive plan will make available cheap power to the entire northern areas of West Pakistan which will give a fillip to both large and small-scale industries.

## 11. COTTON TEXTILE

At the time of independence, Pakistan inherited only a small share of textile industry. Seventeen units that fell to the country's share, operated only a part of their capacity and even that inefficiently. At that time the installed capacity of the units stood at 177,418 spindles and 4,824 looms.

It is noteworthy, however, that in contrast to its weak technical base, the raw-material potential more than sufficed for the primary needs of the population. Thus, to meet the deficiency in the national requirements of cotton



textiles, a drive was launched for a bigger cotton textile industry, and Government fixed a target of 2 million spindles to be achieved by 1957 in addition to the existing capacity.

The cotton textile industry has made rapid—rather spectacular—progress and the number of installed spindles and looms increased from 177,418 and 4,824 in 1947 to 1,691,876 and 26,104 respectively, on 31st March, 1956.

Out of 104 mills, 86 mills have already gone into production and more are gradually coming into production. Of these, 31 mills comprising of 630,920 spindles and 12,256 looms, are in Sind Industrial Area, Karachi, 53 mills comprising of 1,107,260 spindles and 22,234 looms are in West Pakistan and 20 mills comprising of 363,834 spindles and 4,205 looms are in East Pakistan.

## 12. ENGINEERING INDUSTRIES

The Engineering Industry has made remarkable progress despite great shortage of essential raw materials like iron and steel and non-ferrous metals. Some of the important manufactures in this field are electric lamps and fans, electric torch cells, surgical instruments, welding electrodes, galvanized iron pipes, electric wires and cables, radios, vacuum brakes, fittings, hose pipes, motor car tyres and tubes, cycle tyres and tubes, cycles and cycle accessories, steel bars and cuttings, variety of rubber goods and machine tools.

## 13. NON-FERROUS METALS

Manufactures of aluminium, copper and brass utensils are an old industry in Pakistan. Considerable progress has been achieved in this field by organising the industry on systematic lines to meet the growing requirements in both wings of the country.

## 14. IRON AND STEEL

Iron and steel industry has shown great progress during recent years. At the time of independence there were only about 25 rolling mills for producing bars, etc., with a capacity of 60,000 to 70,000 tons per year.

Surveys carried out by the Pakistan Industrial Development Corporation have disclosed the existence of large deposits of iron ore estimated at 100 million tons of fairly good quality near Kalabagh in West Pakistan. The Government has decided to set up an Iron and Steel Works in Multan near the Kalabagh iron ore deposit, at a cost of Rs. 170 million and with a capacity of 70,000 tons of steel annually. The country's re-rolling capacity has now increased to more than double i.e., about 150,000 tons per year working on a single shift. There are more than 40 re-rolling mills operating in Pakistan at present; and important addition being one rolling mill in East Pakistan.

Galvanized steel pipes for water and other requirements in the range of 1/2 to 3" diameter, building fittings, sewing-machines, pad-locks, hurricane lanterns, sanitary fittings etc., are now being manufactured in the country in appreciable quantities.

Cast iron foundry industry is one of the old industries of Pakistan and there are today some two hundred small and medium sized cast iron foundries spread all over the country with a total production capacity of about 50,000 to 60,000 tons per year. Majority of these foundries are located in the Punjab and Karachi areas. Some of these foundries are equipped with modern machinery.

## 15. VEGETABLE OIL INDUSTRY

Vegetable oil industry can be classified under two heads: One crushing of various oil seeds, and the other hydrogenation of vegetable oils for conversion into vanaspati. Sufficient capacity exists in the country for crushing of vegetable oil seeds. As a matter of fact, there is surplus capacity and mills can cope with imported oil seeds like groundnut seeds and copra. The hydro-generating units have a capacity for producing 25,000 tons per annum.

## 16. MATCH INDUSTRY

The total installed capacity of match factories in Pakistan at present is 10.8 million gross boxes (of 50 sticks) per annum.

## 17. CIGARETTE INDUSTRY

4,848 million cigarettes were produced in Pakistan during 1955. The Souvenir Tobacco Co., which has an installed capacity of about 300 million cigarettes, has already gone into production. The Khyber Tobacco Co., Mardan, and the Mongul Industries, Karachi, have also gone into production. The capacity of each of these factories is 1,000 million cigarettes initially. The Pakistan Tobacco Co. Ltd., Jhelum, with a capacity of 2,400 million cigarettes, started production in September, 1956.

## 18. POWER

At the time of independence, an acute shortage of fuel and power threatened to prevent industrial development in the country. The total generating capacity in 1947 was only 110,000 k.w. (10,700 k.w. hydel, 65,700 thermal and 34,000 k.w. private industrially owned). This capacity worked out to about 2.85 units per annum per head of population. Under the circumstances, the Central Government set up the Central Engineering Authority in 1948 to plan and regulate the development of electricity in the country. The present power capacity has risen to 343,000 k.w. (280,300 k.w. thermal and 62,700 k.w. hydel).

In view of the acute shortage of power and the pressing demand from industry, a priority programme was drawn for the installation of 140,000 k.w. at Chittagong, Sidhirganj, Khulna, Lyallpur, Hyderabad and Karachi. Most of these stations are nearing completion. A power station of about 127,000 k.w. to be fired by Sui Gas is to be set up at Multan.

Out of the Hydro-electric Projects sanctioned, three have already been completed, viz., the Malakand Extension Project (10,000 k.w.), Dargai Hydel Project (20,000 k.w.) and Rasul Hydel Project (22,000 k.w.).

The Karnaphuli hydro-electric project in East Pakistan, which will have an installed capacity of 160,000 k.w. and will provide electric power over an area of 15,000 square miles, will come into operation in 1958.

The most urgent demand for power in East Pakistan comes from the need for reclaiming vast area of land which is very frequently water-logged. In order to prevent water-logging and to bring more areas under cultivation through gravity and lift irrigation scheme, Government have sanctioned the following Canal-Falls Hydel Schemes on which preliminary work has already begun and which will take a year to complete:

(i) Mangla Hydro-electric .....	45,000 k.w.
(ii) Shadiwal Hydro-electric .....	12,000 k.w.
(iii) Gujranwala Hydro-electric .....	12,000 k.w.
(iv) Chichokimallian Hydro-electric .....	12,000 k.w.
(v) Khanki Hydro-electric .....	8,176 k.w.



The Warsak Hydro-Electric Project which will have an installed capacity of 180,000 k.w. is the most important power project of West Pakistan.

Nineteen miles from Peshawar, in the north-west of Pakistan is the Warsak Dam site, one of the major hydro-electric projects, capable of generating a block of power to serve the whole of West Pakistan.

The project, named after its site in Warsak, on the Kabul River, comprises a rock-fall dam 240 feet high from the foundations, an under-ground power house with six 30,000 k.w. units, two over-flow slipways having a maximum discharge capacity of 385,000 cusecs, and two diversion tunnels with a total discharge capacity of 65,000 cusecs.

Besides producing 180,000 k.w. of electricity, the Warsak Project will also provide irrigation facilities to 120,000 acres of land. This impressive multi-purpose scheme, when completed at a total cost of Rs. 221,000,000, would be able, among other things, to stimulate the tube-well irrigation of Kahat Valley and supply power for the working of a number of mines, including the Mullagori marble mines, the coal deposits in Cherat hills and in Kohat District, and the copper ore mines in Mahmand territory. This project on its completion will not only provide cheap electric power but will also offer a navigational highway between Pakistan and Afghanistan.

The following are the other schemes for hydro-electric generation, flood control, reclamation of land and irrigation. These schemes are scheduled to be implemented within 3 to 5 years:

1. Kurram Karhi Project.
2. Taunsa Barrage Project.
3. Thal Project.
4. The Rasul and the Punjab Tube-Well Project.
5. Nari Bolan Project.
6. Ghulam Mohammed Barrage.
7. Guddu Barrage.
8. Ganges-Kobadak Project (East Pakistan).

#### (i) PETROLEUM

The production of crude petroleum has increased from 13.36 million imperial gallons in 1947 to 72.36 million imperial gallons in 1955. Oil exploration work is being carried on in the country for further development of this industry.

#### (ii) COAL

There has been a steady rise in the production of coal ever since the birth of Pakistan. Production of coal during 1955 went up to 567,000 tons as compared to 241,000 tons in 1948.

There has also been an improvement in the quality of coal mined at Sharigh and some of the railway engines are running on this coal.

Control over the price and distribution of indigenous coal has been abolished in order to allow unhampered expansion of coal production.

#### (iii) OTHER MINERALS

Considerable deposits of brown coal or peat have been discovered in East Pakistan. Further survey is being carried out to ensure that the working of these deposits will be an economical proposition.

#### (iv) CHROMITE

Chromite deposits occur in Hindubagh, Chaghai and Kalat areas of West Pakistan. A number of fresh mining concessions have been granted and the entire output is being exported to the Dollar and Sterling areas. The production has risen from 20,000 tons in 1947 to 28,000 tons in 1955.

#### (v) SALT

Salt occurs in several parts of West Pakistan and its production has fluctuated between 3.8 and 4.0 million maunds in recent years. The production of salt can be stepped up with increase in export.

#### (vi) GYPSUM AND LIME-STONE

These minerals occur in abundance in West Pakistan and their production has risen from 14,000 tons (gypsum) and 279,000 tons (lime-stone) in 1949 to 28,000 and 887,000 tons respectively during 1955.

#### (vii) ANTIMONY

Deposits occur in Chitral and experiments are being carried out to determine a suitable and economic process for refining the ore at the site.

## CEYLON'S POSITION IN 1956 AND PROSPECTS

In 1956, the U.S. made a grant of 5,000,000 dollars in economic aid out of its foreign aid appropriations for Ceylon's development. This, together with Colombo Plan aid, greatly assists Ceylon's progress making possible schemes of development already being planned. The Prime Minister stated that foreign aid without political strings, from whatever country, would be most welcome and in the absence of sufficient capital accumulation in Ceylon, foreign assistance will provide a much needed source of finance for economic development.

Average prices of tea in 1956 sold in Colombo have not shown the wide fluctuations experienced in 1955. The steadier conditions are welcome in that they are conducive to expansion of trade and contribute to the stability of the industry, but crop forecasts in North India for the next few months seem to indicate that annual production will be well ahead of last year and that world supplies will be in excess of world demand. A world shortage of good-quality high grown tea has in the course of the year benefited producers of tea at high elevations but growers in



the low-country districts have had to bear a substantial drop in their sale prices. In the light of these conditions the renewal of the international tea agreement would be desirable to give market confidence and to provide safeguards for the growers of tea especially in low-country areas. Besides this agreement for regulating exports, the fragmentation of estates and the need for replanting tea gardens in Ceylon are serious matters. The ownership of some tea lands has recently been passing to a few Ceylonese speculators who, thinking more of their immediate personal gain than of the economic size of the tea estate, have broken up estates with results which would prove disastrous for the industry if carried out on a large scale. This fragmentation does not augur well for the future of Ceylon's chief industry. The subject of replanting has not received sufficient attention, and progress, if any, has been tardy. Many owners of tea estates are not prepared to shoulder these responsibilities and rely complacently on the superior quality of Ceylon tea for the ready sale of their products at economic prices. This is unwise, for if replanting is postponed the fate that has overtaken the rubber industry may similarly affect tea though perhaps not with such dire results for the time being. Many estates are in middle or old age and require to be replanted with new high yielding material. Replanting has already been undertaken in India and it is likely that a centrally organised replanting scheme will be put into operation in that country.

**Rubber** has lived up to its reputation for elasticity in price and in the course of last year market values registered many fluctuations which have been caused chiefly by political events and by reversals in the fortunes of the motor industry. The set-back in the production of motor vehicles in the United States and in Britain adversely affected natural rubber prices but on the other hand political events in the Middle East and Europe made the statistical position at such times completely irrelevant to the movement of prices from day to day. As usual, the synthetic bogey appeared from time to time in various forms. Production of synthetic rubber has been increasing in the United States and elsewhere to meet increasing world demand for rubber while production of natural rubber has been lower than last year and still lags behind consumption. In the context of the rapidly increasing demand for rubber which has been forecast for the next few years, the prospects for the synthetic material are bright. The number of synthetic rubber plants has been increasing and their production capacity has been expanding daily to supply a larger share of world demand, whereas it takes seven years to bring a rubber tree to maturity. With the advance in scientific processes and the production of a more "natural" form of synthetic rubber, competition between natural and synthetic tends to hinge more on the price factor, and consequently producers of natural rubber should concentrate on effecting a reduction rather than an increase in the price of their product. In America, where most of the world's synthetic rubber is produced, the percentage of natural rubber in use is expected to decline to 30 per cent by 1960 and producers of natural rubber will be left with a shrinking share of this market. The development of synthetic rubber in consuming countries makes it imperative for the producer of natural rubber to rationalise his industry so as to make it competitive in world markets.

World production and per capita consumption of fats and oils in 1956 are likely to be slightly higher than in 1955, but world exports are estimated to remain more or less unchanged. World exports of copra and coconut oil are expected to be slightly higher than in 1955, but the annual figures of Ceylon's share of these exports reflect the decline in coconut production caused by the recent drought.

Prices on average have not however shown much change in comparison with last year and foreign demand has continued to be satisfactory. Competition from synthetic detergents still looms large. With the improvement of the standard of living in many countries comes the popularity of the washing machine and increasing demand for synthetic detergents. Furthermore, new methods of processing and hydrogenating oils have made it possible for other oils to replace the use of coconut oil in the production of soap. The future of coconut oil lies rather in its use for the manufacture of margarine and cooking fats than as a raw material in the production of soap. A diversification of markets and an advertisement campaign for coconut products on lines similar to that existing in the tea trade are most desirable.

**Foreign Trade:** The declining income from exports, chiefly tea, and increased expenditure on larger, and sometimes more expensive, imports have reduced the balance of trade. The three main export commodities still account for 90 per cent of total exports and expenditure on imports of food forms 40 per cent of total import expenditure. Diversification in the composition of exports and less reliance on foreign countries for food are desirable. More development and initiative should be possible in the export of cocoa, citronella oil, graphite, cinnamon and other spices as well as greater production of rice. Sugar factories, an oil refinery and a textile mill are other matters which have for a long time been proposed but little constructive action has been taken in implementing such proposals.

The United Kingdom remains Ceylon's most important trading partner in the field of both exports and imports, while India, China, Burma and the United States are also prominent in trading transactions. Trade with the dollar area continues to give a fair balance and exports to China have increased substantially. It is not the intention of the Government that Ceylon should practise a rigid conservatism in trade relations, and the diversification of the existing pattern of trade to cover the Communist bloc of countries will spread Ceylon's external trade over a wider field. Trade and payments agreements have been signed with a few East-European countries, while the Government missions to the Soviet Union and China will lead to the development of trade with these countries. The Soviet Union is a consumer of tea and rubber and purchases these goods in London and other markets. There is no reason why a direct trade relationship between Ceylon and Communist countries should not expand the exchange of goods and at the same time achieve the widespread trading pattern that will place Ceylon's foreign trade on a sounder footing.

**Money Supply:** The money supply which rose steadily in 1955 reached a peak by the end of last year. A decline then set in and by September 1956 the money supply showed no change from its position one year ago. The most important influence came from the Government sector where there was a rise in Government cash balances which produced a contractionary effect on the money supply; but expansionary influences in the foreign and private sectors more or less offset the contractionary movement. External banking assets tended to decline early in the year, but the settlement of a debt in June by China under the trade agreement and an improvement in balance of trade at that time arrested the decline and by the end of September 1956 external banking assets were actually higher than they were a year ago.

**Commercial Banks:** Although the value of export bills discounted by commercial banks declined during the year, overall credit extended by them to the private sector showed an increase. Bank credit to the Government sector also



increased, mainly by subscriptions to new issues of Government securities, but the increase in bank holdings of Treasury Bills was not as significant. Excess reserves of commercial banks with the Central Bank declined in the course of the year and this was reflected in the hardening of the Treasury Bill rate. Liquid assets fell in the same period as a result of a decrease in balances with the Central Bank and balances due from banks abroad. Demand deposits also declined but the decline in liquid assets was proportionately larger, and consequently liquidity ratios were generally lower.

**Government Finance:** For the financial year 1955-56 the Government had an estimated net cash operating deficit of Rs. 49 million, quite a contrast to the financial position in 1954-55 when a surplus of nearly Rs. 129 million was recorded. If adjustments for Government food transactions and food stocks are made, the current year's estimated deficit would amount to Rs. 87 million compared with a surplus of Rs. 110 million after similar adjustments for the previous financial year. Total receipts from Customs show a decline of 4½% from receipts in the previous financial year mainly reflecting reduced collections as a result of lower export duties and smaller export quantities. Receipts from Income Tax, Estate Duty and Stamps have recorded a substantial increase of 35 per cent over the previous year's collection.

**The Budget:** In his Budget Speech the Finance Minister predicted that trade conditions would be less favourable and revenue collections lower in the financial year 1956/57. However, in view of the strong position of external assets and the stability of price and cost structure he felt that the country could afford a reasonable deficit. A deficit of over Rs. 175 million was estimated primarily by the inclusion of Rs. 100 million for the rice subsidy and for expenditure on social services. New taxation proposals were expected to yield an additional Rs. 25 million, thus reducing the overall deficit to Rs. 150 million which would be financed by domestic borrowing and running down of Government cash balances.

**Economic Development:** The new Government did not have sufficient time to alter radically the pattern of earlier budgets. It is hoped that the next Budget would be drawn up with the full realisation that any budget with an eye only to short term considerations would certainly not be conducive to the attainment of a higher standard of living in a country which is already over-populated in terms of employment opportunities and whose population is increasing annually by about 2.8%, which is among the highest rates of population growth in the world. That the Government does not intend shirking its responsibilities in this connection is shown by the fact that soon after it came into power it decided to establish a planning body to advise the Cabinet on all matters pertaining to the national economy and has already created by an Act of Parliament such a body under the name of the "National Planning Council". In order to give this body the requisite status and importance the Act provides that it will have as its Chairman and Deputy Chairman the Prime Minister and the Minister of Finance respectively; and it is hoped that the Council will with the least delay get down to its task with initiative and imagination.

The Government has declared its policy for a socialistic pattern of society which would mean that the basic criterion underlying any planning will be social gain rather than private profit. Planning for a socialistic pattern of society should not mean only the reduction of economic and social inequalities. It should also mean a balanced progress towards higher living standards. The pro-

blem is therefore one of securing an optimum increase of production and employment together with a wider measure of social justice. Any plan to secure these objectives should embrace both the public and private sectors. In framing a Government budget one may determine expenditure first and then raise sufficient funds to meet the expenditure, as the receipts of the Government form only a part of the national income. But the magnitude of the budget of an overall plan and its content must be determined by the total available real resources of the entire economy and the extent of available external assistance.

One of the first tasks of the National Planning Council will therefore be to make a reliable estimate of the available real resources and external assistance and thereafter to attempt to draw up an overall plan to achieve as far as practicable the different objectives of national policy. Any plan which is over-ambitious would spell disaster for the entire economy and ultimately result in a rigid regimentation of national life and the end of the democratic form of society. Under no circumstances can total net investment exceed the total net savings of the community and the quantum of available external assistance. This does not mean however that there is no case for deficit financing. An underdeveloped country may have to resort to deficit financing to initiate a process of increased investment and incomes by fuller utilization of unemployed and under-utilised resources, but it is its timing and magnitude that is of crucial importance.

Another important task of the Planning Council would be to advise the Government on the formulation of a comprehensive and clear economic policy statement which should inter alia define the preserves of the private sector and the areas in which the public and private sectors may operate together. Those areas left out of the policy statement should consist of the domain of the public sector and areas reserved for future allocation. A clear statement as to what part foreign capital will be allowed to play in the country's economy and under what conditions is also a *sine qua non* of an effective overall plan.

The urgent necessity remains for diversification but no serious attempt has yet been made to remedy the existing imbalance. Agriculture will for long remain the major economic activity and there is still large scope for increased output by extensive and intensive cultivation.

The country needs an industrial base for a more stable economy. In determining the type of industrial base, it is necessary to concentrate on small scale and cottage industries and on efficient credit and marketing facilities, and more intensive technical education.

The task before the National Planning Council is a difficult one. The transference of wealth from the rich to the poor through high taxation and other instruments of distribution though a popular solution of the problem of poverty, is only a short-term solution. It has serious limitations in an under-developed economy not only for the reason that the total product of the economy is not sufficient to meet the needs of all, but also because a large section of the people live below subsistence level and any increase in taxation or the curtailment of profit margins among the higher income groups would result in a reduction of the country's aggregate savings. Therefore, any plan which neglects the better utilisation of resources for the purpose of increasing the national product and concentrates on reducing social and economic inequalities, is bound to produce chaos and bring disaster even to the so called "under-privileged" in the form of a standard of living even lower than that already enjoyed by them.

## HONGKONG'S TRADING PARTNERS IN 1956

## PART I

## UNITED KINGDOM

	Imports H.K.\$	Exports H.K.\$
Live animals, chiefly for food .....	148,376	—
Meat and meat preparations .....	819,204	197,937
Dairy products, eggs and honey .....	1,859,255	246
Fish and fish preparations .....	292,991	170,444
Cereals and cereal preparations .....	2,634,590	61,466
Fruits and vegetables .....	1,771,847	7,161,617
Sugar and sugar preparations .....	3,632,433	1,212
Coffee, tea, cocoa, spices and manufatures .....	5,620,192	2,017,583
Feeding stuffs for animals (not including unmilled cereals) .....	144,764	—
Miscellaneous food preparations .....	1,331,550	1,070,988
Beverages .....	4,718,023	5,939
Tobacco and tobacco manufactures Hides, skins and fur skins, un- dressed .....	16,276,946	—
Oil-seeds, oil nuts and oil kernels .....	53,965	1,807,639
Crude rubber, including synthetic and reclaimed .....	24,006	7,234
Wood, lumber and cork .....	118,701	724,866
Pulp and waste paper .....	742	—
Textile fibres and waste .....	12,822,463	775,869
Crude fertilizers and crude minerals, excluding coal, petro- leum and precious stones .....	286,202	30,620
Metalliferous ores and metal scrap .....	1,182,441	394,339
Animal & vegetable crude mate- rials, inedible .....	784,706	12,496,857
Mineral fuels, lubricants and related materials .....	7,805,501	5,000
Animal and vegetable oils (not essential oils), fats, greases and derivatives .....	1,400,862	750,844
Chemical elements and compounds .....	9,967,887	79,500
Mineral tar and crude chemicals from coal, petroleum and natural gas .....	10,781	—
Dyeing, tanning and colouring materials .....	11,642,211	—
Medicinal and pharmaceutical pro- ducts .....	11,119,208	244,304
Essential oils and perfume mate- rials; toilet, polishing and cleansing preparations .....	9,143,703	2,580,373
Fertilizers, manufactured .....	170	—
Explosives and miscellaneous chemical materials and pro- ducts .....	16,050,402	—
Leather, leather manufactures, n.e.s., & dressed furs .....	1,494,069	17,574
Rubber manufactures, n.e.s. ....	4,913,966	6,150
Wood and cork manufactures (ex- cluding furniture) .....	246,076	264,592
Paper, paperboard and manufac- tures .....	8,640,154	208,340
Textile yarn, fabrics, made-up articles and related products .....	92,241,200	97,188,039
Non-metallic mineral manufac- tures, n.e.s. ....	6,845,644	1,914,455
Silver, platinum, gems and jewel- ery .....	10,281,281	3,329,379
Base metals .....	69,873,844	39,300
Manufactures of metals .....	22,064,110	304,227
Machinery other than electric .....	41,442,483	16,650
Electric machinery, apparatus and appliances .....	49,643,541	1,490,695
Transport equipment .....	46,705,197	274,967

	Imports H.K.\$	Exports H.K.\$
Prefabricated buildings; sanitary, plumbing, heating & lighting fixtures & fittings .....	4,398,845	4,716,636
Furniture and fixtures .....	1,266,200	236,497
Travel goods, handbags and similar articles .....	166,757	2,085,185
Clothing .....	9,810,854	86,966,156
Footwear .....	1,948,156	43,836,341
Scientific instruments; photo- graphic & optical goods; watches & clocks .....	6,980,270	181,265
Miscellaneous manufactured arti- cles .....	12,706,369	24,608,517
Live animals, not for food .....	462	1,228
TOTAL MERCHANDISE .....	513,333,600	298,371,070
Gold and Silver .....	359,855,588	24,000
GRAND TOTAL .....	873,189,188	298,395,070

## AUSTRALIA

	Imports H.K.\$	Exports H.K.\$
Live animals, chiefly for food .....	38,725	—
Meat and meat preparations .....	8,940,819	1,725
Dairy products, eggs and honey .....	10,961,495	1,614
Fish and fish preparations .....	47,471	323,333
Cereals and cereal preparations .....	18,835,383	140,828
Fruits and vegetables .....	1,775,540	1,292,201
Sugar and sugar preparations .....	25,684,888	140,059
Coffee, tea, cocoa, spices and manufatures .....	36,090	1,703,756
Feeding stuffs for animals (not including unmilled cereals) .....	445,243	—
Miscellaneous food preparations .....	63,692	393,508
Beverages .....	183,201	61,105
Tobacco and tobacco manufactures Hides, skins and fur skins, un- dressed .....	2,960	891
Oil-seeds, oil nuts and oil kernels .....	1,668	74,560
Wood, lumber and cork .....	861,485	562,941
Pulp and waste paper .....	10,350	2,314
Textile fibres and waste .....	13,208,484	181,102
Crude fertilizers and crude minerals, excluding coal, petro- leum and precious stones .....	830	6,250
Metalliferous ores and metal scrap .....	617,200	2,600
Animal & vegetable crude mate- rials, inedible .....	2,482,653	3,576,200
Mineral fuels, lubricants and related materials .....	181,320	213
Animal and vegetable oils (not essential oils), fats, greases and derivatives .....	301,745	6,105,136
Chemical elements and compounds .....	346,407	424,463
Dyeing, tanning and colouring materials .....	5,654	173,311
Medicinal and pharmaceutical pro- ducts .....	519,730	89,947
Essential oils and perfume mate- rials; toilet, polishing and cleansing preparations .....	269,130	467,139
Explosives and miscellaneous chemical materials and pro- ducts .....	711,237	1,502,614
Leather, leather manufactures, n.e.s., & dressed furs .....	5,714,528	2,495
Rubber manufactures, n.e.s. ....	10,616	5,005



	Imports H.K.\$	Exports H.K.\$		Imports H.K.\$	Exports H.K.\$
Wood and cork manufactures (excluding furniture) .....	21,460	205,820	Essential oils and perfume materials; toilet, polishing and cleansing preparations .....	127,021	226,659
Paper, paperboard and manufactures .....	2,856	48,266	Explosives and miscellaneous chemical materials and products .....	10,058,440	915,329
Textile yarn, fabrics, made-up articles and related products .....	11,435	16,693,902	Leather, leather manufactures, n.e.s., & dressed furs .....	281,587	11,792
Non-metallic mineral manufactures, n.e.s. ....	4,039	1,032,345	Rubber manufactures, n.e.s. ....	388,149	—
Silver, platinum, gems and jewellery .....	30,388	164,880	Wood and cork manufactures (excluding furniture) .....	86,584	21,218
Base metals .....	4,991,831	254,410	Paper, paperboard and manufactures .....	804,850	52,916
Manufactures of metals .....	1,144,693	800,531	Textile yarn, fabrics, made-up articles and related products .....	108,769	1,202,717
Machinery other than electric .....	153,647	110,583	Non-metallic mineral manufactures, n.e.s. ....	—	751,563
Electric machinery, apparatus and appliances .....	285,940	182,442	Silver, platinum, gems and jewellery .....	20,379	664,402
Transport equipment .....	776,754	255,747	Base metals .....	7,350,922	—
Prefabricated buildings; sanitary, plumbing, heating & lighting fixtures & fittings .....	5,964	1,395,074	Manufactures of metals .....	438,167	181,799
Furniture and fixtures .....	2,025	996,827	Machinery other than electric .....	321,606	35,088
Travel goods, handbags and similar articles .....	1,200	1,092,425	Electric machinery, apparatus and appliances .....	201,492	252,381
Clothing .....	2,440	9,152,164	Transport equipment .....	2,765,512	9,520
Footwear .....	—	726,893	Prefabricated buildings; sanitary, plumbing, heating & lighting fixtures & fittings .....	2,560	1,563,161
Scientific instruments; photographic & optical goods; watches & clocks .....	38,536	144,430	Furniture and fixtures .....	9,100	1,066,657
Miscellaneous manufactured articles .....	29,523	4,486,279	Travel goods, handbags and similar articles .....	—	78,421
Live animals, not for food .....	318,016	40,336	Clothing .....	400	4,774,753
TOTAL MERCHANDISE .....	100,274,169	55,018,664	Footwear .....	—	4,583,394
Gold and Silver .....	124,379,423	—	Scientific instruments; photographic & optical goods; watches & clocks .....	1,284,346	93,602
GRAND TOTAL .....	224,653,592	55,018,664	Miscellaneous manufactured articles .....	631,987	1,398,533

**CANADA**

	Imports H.K.\$	Exports H.K.\$
Meat and meat preparations .....	33,129	15,346
Dairy products, eggs and honey ...	162,621	144,003
Fish and fish preparations .....	446,513	1,557,975
Cereals and cereal preparations ...	16,207,389	195,448
Fruits and vegetables .....	14,606	2,269,475
Sugar and sugar preparations .....	—	49,531
Coffee, tea, cocoa, spices and manufactures .....	—	367,475
Feeding stuffs for animals (not including unmilled cereals) .....	310,634	515
Miscellaneous food preparations ...	16,336	689,700
Beverages .....	597,674	316,571
Tobacco and tobacco manufactures ..	—	6,654
Hides, skins and fur skins, undressed .....	—	1,200
Oil-seeds, oil nuts and oil kernels ..	—	2,609,883
Crude rubber, including synthetic and reclaimed .....	200,400	—
Wood, lumber and cork .....	759,635	9,180
Pulp and waste paper .....	28,759	—
Textile fibres and waste .....	65	26,200
Crude fertilizers and crude minerals, excluding coal, petroleum and precious stones .....	3,805	530
Metaliferous ores and metal scrap ..	546,610	202,899
Animal & vegetable crude materials, inedible .....	724,495	1,959,587
Mineral fuels, lubricants and related materials .....	36,600	—
Animal and vegetable oils (not essential oils), fats, greases and derivatives .....	—	651,108
Chemical elements and compounds ..	337,469	342
Dyeing, tanning and colouring materials .....	24,022	—
Medicinal and pharmaceutical products .....	1,002,594	333,662

	Imports H.K.\$	Exports H.K.\$
Essential oils and perfume materials; toilet, polishing and cleansing preparations .....	127,021	226,659
Explosives and miscellaneous chemical materials and products .....	10,058,440	915,329
Leather, leather manufactures, n.e.s., & dressed furs .....	281,587	11,792
Rubber manufactures, n.e.s. ....	388,149	—
Wood and cork manufactures (excluding furniture) .....	86,584	21,218
Paper, paperboard and manufactures .....	804,850	52,916
Textile yarn, fabrics, made-up articles and related products .....	108,769	1,202,717
Non-metallic mineral manufactures, n.e.s. ....	—	751,563
Silver, platinum, gems and jewellery .....	20,379	664,402
Base metals .....	7,350,922	—
Manufactures of metals .....	438,167	181,799
Machinery other than electric .....	321,606	35,088
Electric machinery, apparatus and appliances .....	201,492	252,381
Transport equipment .....	2,765,512	9,520
Prefabricated buildings; sanitary, plumbing, heating & lighting fixtures & fittings .....	2,560	1,563,161
Furniture and fixtures .....	9,100	1,066,657
Travel goods, handbags and similar articles .....	—	78,421
Clothing .....	400	4,774,753
Footwear .....	—	4,583,394
Scientific instruments; photographic & optical goods; watches & clocks .....	1,284,346	93,602
Miscellaneous manufactured articles .....	631,987	1,398,533
TOTAL .....	46,335,227	29,291,189

**CEYLON**

	Imports H.K.\$	Exports H.K.\$
Meat and meat preparations .....	—	6,896
Dairy products, eggs and honey ...	—	288
Fish and fish preparations .....	—	849
Cereals and cereal preparations ...	—	27,091
Fruits and vegetables .....	419,873	2,867,459
Sugar and sugar preparations .....	—	3,953
Coffee, tea, cocoa, spices and manufactures .....	3,412,454	2,402,274
Miscellaneous food preparations ...	—	22,765
Oil-seeds, oil nuts and oil kernels ..	—	225
Crude rubber, including synthetic and reclaimed .....	32,802	—
Pulp and waste paper .....	30	52,689
Textile fibres and waste .....	81,722	—
Crude fertilizers and crude minerals, excluding coal, petroleum and precious stones .....	6,897	7,342
Animal & vegetable crude materials, inedible .....	5,920	90,614
Chemical elements and compounds ..	—	681,031
Dyeing, tanning and colouring materials .....	—	8,034
Medicinal and pharmaceutical products .....	—	127,450
Essential oils and perfume materials; toilet, polishing and cleansing preparations .....	9,600	7,343
Explosives and miscellaneous chemical materials and products .....	—	1,701
Rubber manufactures, n.e.s. ....	—	17,942

	Imports H.K.\$	Exports H.K.\$		Imports H.K.\$	Exports H.K.\$
Wood and cork manufactures (excluding furniture)	11,072	9,252	Paper, paperboard and manufactures	320,638	20,617
Paper, paperboard and manufactures	—	5,450	Textile yarn, fabrics, made-up articles and related products	19,460,224	590,869
Textile yarn, fabrics, made-up articles and related products	—	239,875	Non-metallic mineral manufactures, n.e.s.	38,585	273,888
Non-metallic mineral manufactures, n.e.s.	—	73,238	Silver, platinum, gems and jewelry	387,471	56,523
Silver, platinum, gems and jewelry	123,695	57,240	Base metals	52,337	586,457
Base metals	—	733	Manufactures of metals	119,704	1,113,134
Manufactures of metals	—	2,272,704	Machinery other than electric	—	627,075
Machinery other than electric	—	7,599	Electric machinery, apparatus and appliances	104,461	1,255,212
Electric machinery, apparatus and appliances	—	396,225	Transport equipment	32,873	312,581
Transport equipment	—	23,905	Prefabricated buildings; sanitary, plumbing, heating & lighting fixtures & fittings	280	5,370,763
Prefabricated buildings; sanitary, plumbing, heating & lighting fixtures & fittings	—	1,789,453	Furniture and fixtures	2,000	12,606
Furniture and fixtures	1,350	1,321	Travel goods, handbags and similar articles	296,655	14,738
Travel goods, handbags and similar articles	—	362,920	Clothing	201,199	975,385
Clothing	—	2,300,630	Footwear	135,857	—
Footwear	—	113,636	Scientific instruments; photographic & optical goods; watches & clocks	51,102	1,360,878
Scientific instruments; photographic & optical goods; watches & clocks	—	16,652	Miscellaneous manufactured articles	236,074	267,390
Miscellaneous manufactured articles	2,914	832,125	Live animals, not for food	11,672	8,875
Live animals, not for food	117	1,979			
<b>TOTAL</b>	<b>4,108,446</b>	<b>14,830,888</b>	<b>TOTAL</b>	<b>51,029,928</b>	<b>21,520,912</b>

## INDIA

	Imports H.K.\$	Exports H.K.\$
Meat and meat preparations	16,000	1,012
Dairy products, eggs and honey	—	986
Fish and fish preparations	1,345,746	36,413
Cereals and cereal preparations	11,916	59,944
Fruits and vegetables	1,676,091	189,252
Sugar and sugar preparations	—	9,111
Coffee, tea, cocoa, spices and manufactures	52,293	1,182,971
Miscellaneous food preparations	79,655	69,844
Tobacco and tobacco manufactures	649,358	—
Hides, skins and fur skins, undressed	—	270,054
Oil-seeds, oil nuts and oil kernels	37,275	1,070
Wood, lumber and cork	380,086	—
Textile fibres and waste	10,540,877	—
Crude fertilizers and crude minerals, excluding coal, petroleum and precious stones	33,116	45,711
Metalliferous ores and metal scrap	—	82,800
Animal & vegetable crude materials, inedible	6,939,085	5,218,496
Mineral fuels, lubricants and related materials	—	2,400
Animal and vegetable oils (not essential oils), fats, greases and derivatives	5,557,006	171,330
Chemical elements and compounds	144,936	58,372
Dyeing, tanning and colouring materials	—	409,696
Medicinal and pharmaceutical products	292,530	378,298
Essential oils and perfume materials; toilet, polishing and cleansing preparations	485,958	108,515
Explosives and miscellaneous chemical materials and products	4,298	318,334
Leather, leather manufactures, n.e.s., & dressed furs	1,326,478	—
Wood and cork manufactures (excluding furniture)	6,092	59,312

## MALAYA

	Imports H.K.\$	Exports H.K.\$
Live animals, chiefly for food	15,009	500
Meat and meat preparations	132,596	2,768,594
Dairy products, eggs and honey	347,211	5,939,524
Fish and fish preparations	1,773,381	5,880,548
Cereals and cereal preparations	309,055	4,549,872
Fruits and vegetables	569,031	53,071,143
Sugar and sugar preparations	13,111	28,808,009
Coffee, tea, cocoa, spices and manufactures	3,895,769	9,150,522
Feeding stuffs for animals (not including unmilled cereals)	—	1,923,870
Miscellaneous food preparations	394,736	12,674,444
Beverages	842,607	1,616,958
Tobacco and tobacco manufactures	166,628	1,705,301
Hides, skins and fur skins, undressed	524,329	38,330
Oil-seeds, oil nuts and oil kernels	258,478	2,596,236
Crude rubber, including synthetic and reclaimed	9,630,510	2,146
Wood, lumber and cork	10,533,221	7,661
Pulp and waste paper	—	402,746
Textile fibres and waste	313,715	170,171
Crude fertilizers and crude minerals, excluding coal, petroleum and precious stones	—	266,360
Metalliferous ores and metal scrap	1,429,963	6,526
Animal & vegetable crude materials, inedible	7,864,154	17,918,044
Mineral fuels, lubricants and related materials	81,204,838	94,764
Animal and vegetable oils (not essential oils), fats, greases and derivatives	2,379,537	3,162,054
Chemical elements and compounds	137,998	657,692
Mineral tar and crude chemicals from coal, petroleum and natural gas	—	1,350
Dyeing, tanning and colouring materials	203,866	6,561,456
Medicinal and pharmaceutical products	844,820	11,324,724



	Imports H.K.\$	Exports H.K.\$		Imports H.K.\$	Exports H.K.\$
Essential oils and perfume materials; toilet, polishing and cleansing preparations	2,736,173	2,938,277	Oil-seeds, oil nuts and oil kernels	—	129,285
Explosives and miscellaneous chemical materials and products	236,653	1,304,388	Wood, lumber and cork	—	499,425
Leather, leather manufactures, n.e.s., & dressed furs	106,228	59,964	Crude fertilizers and crude minerals, excluding coal, petroleum and precious stones	—	2,262
Rubber manufactures, n.e.s.	168,879	561,881	Metalliferous ores and metal scrap	—	47,993
Wood and cork manufactures (excluding furniture)	114,973	502,322	Animal & vegetable crude materials, inedible	43,983	458,659
Paper, paperboard and manufactures	44,184	11,958,743	Animal and vegetable oils (not essential oils), fats, greases and derivatives	65,700	694,787
Textile yarn, fabrics, made-up articles and related products	9,170,696	25,834,301	Chemical elements and compounds	—	173,400
Non-metallic mineral manufactures, n.e.s.	983,600	5,968,823	Medicinal and pharmaceutical products	—	3,962
Silver, platinum, gems and jewelry	5,792,091	10,995,580	Essential oils and perfume materials; toilet, polishing and cleansing preparations	21,471	97,808
Base metals	2,470,120	616,775	Explosives and miscellaneous chemical materials and products	17,895	205,643
Manufactures of metals	1,662,386	12,153,523	Leather, leather manufactures, n.e.s., & dressed furs	—	30,430
Machinery other than electric	1,436,945	1,950,740	Rubber manufactures, n.e.s.	—	1,515
Electric machinery, apparatus and appliances	304,626	3,761,545	Wood and cork manufactures (excluding furniture)	—	42,241
Transport equipment	1,211,100	626,049	Paper, paperboard and manufactures	—	30,817
Prefabricated buildings; sanitary, plumbing, heating & lighting fixtures & fittings	73,509	4,734,887	Textile yarn, fabrics, made-up articles and related products	—	2,420,433
Furniture and fixtures	192,509	1,029,479	Non-metallic mineral manufactures, n.e.s.	—	368,993
Travel goods, handbags and similar articles	—	1,621,591	Silver, platinum, gems and jewelry	—	116,657
Clothing	236,248	54,321,279	Base metals	725,865	427,456
Footwear	48,873	9,242,228	Manufactures of metals	—	310,376
Scientific instruments; photographic & optical goods; watches & clocks	771,499	11,302,730	Machinery other than electric	5,589	2,687
Miscellaneous manufactured articles	704,028	39,963,244	Electric machinery, apparatus and appliances	40,506	150,412
Live animals, not for food	11,048	26,331	Transport equipment	3,120	27,040
TOTAL MERCHANDISE	152,260,931	372,774,225	Prefabricated buildings; sanitary, plumbing, heating & lighting fixtures & fittings	—	584,100
Gold and Silver	191,627	—	Furniture and fixtures	—	442,648
GRAND TOTAL	152,462,558	372,774,225	Travel goods, handbags and similar articles	—	529,626
NEW ZEALAND			Clothing	—	4,643,653
	Imports H.K.\$	Exports H.K.\$	Footwear	—	184,695
Meat and meat preparations	347,527	—	Scientific instruments; photographic & optical goods; watches & clocks	36,900	58,272
Dairy products, eggs and honey	857,397	169	Miscellaneous manufactured articles	50	1,671,636
Fish and fish preparations	1,354	215,638	Live animals, not for food	—	1,160
Cereals and cereal preparations	—	125,559	TOTAL	2,385,749	15,179,193
Fruits and vegetables	147,892	297,298			
Sugar and sugar preparations	70,500	5,485			
Coffee, tea, cocoa, spices and manufactures	—	58,076			
Miscellaneous food preparations	—	81,795			
Beverages	—	27,099			

(To be Continued)

## FINANCE &amp; COMMERCE

## HK EXCHANGE MARKETS

	U.S.\$			
April	T.T. High	T.T. Low	Notes High	Notes Low
8	\$620 1/4	620	616 1/4	615 1/4
9	620 1/4	620	616 1/4	615 1/4
10	620 1/4	619 1/4	615 1/4	615 1/4
11	621	620 1/4	616 1/4	615 1/4
12	H o l i d a y			
13	623 1/2	622 1/4	619 1/4	618 1/4
D.D. rates: High 621 1/4 Low 617 1/4.				

Trading totals: T.T. US\$1,090,000; Notes cash \$360,000, forward \$1,350,000; D.D. \$330,000. The market was steady but trading volume reduced. In the T.T. sector, market was quiet because demand from gold importers weak. In the Notes market, speculators idle but shippers took advantage of the big difference between T.T. and Notes rates; denominations of US\$50 and US\$100 were favoured with a premium of 1 1/2 points. Interest for change

over favoured sellers and aggregated HK\$2.10 per US\$1,000. Speculative positions averaged US\$2 million per day. In the D.D. sector, market was quiet.

**Far Eastern Exchange:** Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.77—1.76, Japan 0.014875—0.014725, Malaya 1.876, Vietnam 0.06369, Laos 0.058, Cambodia 0.082, Thailand 0.2841. Sales: Pesos

290,000, Yen 110 million, Malayan \$280,000, Piastre 9 million, Kip 4 million, Rial 4 million, and Baht 2½ million. **Chinese Exchange:** People's Yuan notes quoted \$1.47—1.41 per Yuan. Taiwan Dollar notes quoted \$158—157 per thousand, and remittances 153—152. **Bank Notes:** Highest and lowest rates per foreign currency unit in HK\$: England 16.35—16.32, Scotland and Ireland 14.00, Australia 12.60, New Zealand 15.00—15.02, Egypt 11.00, East Africa 15.30, West Africa 13.50, South Africa 16.35, Jamaica 13.50, Fiji 10.00, India 1.188—1.1875, Pakistan 0.895, Ceylon 1.00, Burma 0.50, Malaya 1.84—1.834, Canada 6.43—6.40, Cuba 5.00, Argentina 0.17, Brazil 0.07, Philippines 1.81—1.7825, Switzerland 1.42, West Germany 1.42, Italy 0.0093, Belgium 0.11, Sweden 1.02, Norway 0.72, Denmark 0.77, Netherlands 1.46, France 0.015075—0.015, Vietnam 0.06825—0.068, Laos 0.058, Cambodia 0.0825—0.082, North Borneo 1.60, Indonesia 0.1675—0.167, Thailand 0.284—0.282, Macau 0.997—0.995, Japan 0.015.

#### Gold Market

April	High .945	Low .945	Macau .99
8	268½	268½	
9	268½	268½	
10	268½	268½	
11	268½	268½	
12	270½	269½	
13			280 High

Opening and closing prices were 268½ and 269½; highest and lowest, 270½ and 268½. The market towards weekend was steady following the trend of US\$ rates. Interest favoured sellers and aggregated 82 HK cents per 10 taels of .945 fine. Tradings averaged 7,100 taels per day and amounted to 35,500 taels for the week; 18,690 taels were actual cash dealings (1,890 listed and

16,800 arranged privately). Positions taken by speculators averaged 16,500 taels per day. Imports from Macau totalled 8,000 taels, a shipment of 32,000 fine ounces arrived there. Exports amounted to 7,500 taels (4,000 Singapore, 2,000 Indonesia, 1,500 Rangoon). Differences paid for local and Macau .99 fine were HK\$13.00 and 12.00 respectively per tael of .945 fine. Cross rates were US\$37.83—37.80 per fine ounce; 3,200 fine ounces contracted at 37.83 cif Macau. US double eagle old and new coins quoted \$283 and 262 respectively per coin, English Sovereigns \$62 per coin, and Mexican gold coins \$290—289 per coin. **Silver Market:** 500 taels of bar silver traded at \$5.93 per tael; 600 dollar coins at \$3.79 per coin. Twenty-cent coins quoted \$2.92 per five coins.

#### HK SHARE MARKET

Fluctuations of most quotations were small last week. Banks lost \$15 with only 41 shares transacted compared with 194 during previous week. Union Ins. had only buying offers which advanced steadily from 942.50 to 950 but still attracted no selling response. Lights registered slight selling pressure; the Company's new issues will require cash from shareholders who have been expecting a bonus issue. Prices dropped 50c when 22,600 shares were liquidated in one day by investors who did not wish to pay for new shares. Electrics first eased from 29.20 to 29 but recovered towards weekend; unaffected by current criticism of the increased surcharge. Other popular shares which retained steady demand throughout the week were Wheelocks, Hotels, Trams, Telephones, Cements and

Dairy Farms but the market lacked the stimulation of speculative activities.

**Monday:** market opened quiet; trading light, \$370,000. **Tuesday:** trading increased to \$1.1 m; Lights down from \$22.40 to \$21.90 under selling pressure. **Wednesday:** steady, \$440,000. **Thursday:** moderate trading, fluctuations small, \$987,000. **Friday:** Holiday.

#### SINGAPORE SHARES

A further expansion of buying interest was evident in the local share market during the week ended April 5 and prices were again firmer. Industrials were a good feature on investment support and the prices of numerous Tin shares rose. There was a general marking up of the prices of most Rubber shares, primarily due to bargain hunters attracted by the increasing number of estates that have been bought out, and partially on dividend expectations. There is still an unsatisfied demand for local Loans at quotations. Fraser & Neave Ords. again came in for heavy business from \$2.32½ down \$2.30 cd. W. Hammer changed hands in quantity at \$1.82½ and \$1.83. Metal Box had sales at \$1.65 having buyers over and Robinson Ords. at \$1.60 and \$1.59. Singapore Cold Storage firmer at \$1.62½ to \$1.63 to \$1.65. Straits Steamship, on the publication of their Report, were taken in quantity at \$17.00 cd. cb. to \$15.60 ex all. Straits Times hardened from \$3.27½ to \$3.30. Straits Traders from \$27.00 to \$27.70. United Engineer Ords. eased from \$8.85 to \$8.80. Wearne Bros. declined from \$2.95 to \$2.87½. Amongst Tin shares Austral Amalgamated and Austral Malay continued in enquiry at improving rates and large business passed in the former from 22/3 to 22/6 to 22/7½ and in the latter from 51/- to 51/3. Kamunting improved with sales at 11/-, Klang River were taken from \$1.20 to \$1.25, Kuchai from \$2.87½ to \$2.92½ and Larut from 7/3 to 7/6, but Lower Perak were eased from 18/10½ to 18/6. Rantau had numerous transactions from \$1.92 up to \$1.97 ex dividend. Sungei Way changed hands from \$1.55 cd. to \$1.51 xd. to \$1.55 xd., and Takuapa registered a further advance from 20/- to 21/-. Rubber shares dealt in include Allenby which hardened from 95 cents to \$1.02, Amalgamated Malay which saw business at \$3.32½ ccr. cci. and Ayer Panas which made \$1.75. Bassett improved with sales from 71 to 75 cents cd., Kuang Ords. from \$1.37½ to \$1.70 and Mentakab after sales at \$1.77½ closed in demand at \$1.88. Teluk Anson were inquired for at \$3.60 cd., Temerloh at 97 cents and United Malacca at \$1.95.

**BUSINESS DONE—Industrials:** British Borneo Pels. 59/6 to 60/-, Consolidated Tin Smelters Ords. 31/9, Eastern United Ass. \$32.00, Fraser & Neave Ords. \$2.32½ to \$2.30 cd., Gammons \$2.07½, Hammer & Co. \$1.82½ to \$1.83, Hongkong Bank (London) £28, Hume Industries A.7/6 xd. cci., William Jacks \$2.95 to \$2.92½ to \$2.90, Jackson & Co. \$1.50,

Share	April 5	Last Week's Rate		Closing	Up & Down	Dividend	Annual Yield*
		Highest	Lowest				(%)
HK Bank	1665	1665	1650	1650	—\$15	\$80	4.85
Union Ins.	947.50 b	950 b	942.50 b	950 b	+ \$2.50	\$34	3.58
Lombard	37.50 b	38	37.50 b	38	+ 50c	\$2	5.26
Wheelock	6.70	6.90	6.70	6.90	+ 20c	75c	10.87
HK Wharf	101	XD 99 s	XD 96	XD 96 b	+ \$1	\$6	6.25
HK Dock	44.50	45	44.25	45	+ 50c	\$2	4.44
Provident	13.20 s	13.20 s	12.90	XD 11.90	—30c	\$1	8.40
HK Land	36.25 s	36	35.50	35.50	—75c	\$3.50	9.86
Realty	1.375 s	1.40 s	1.35	1.35	—2½c	15c	11.11
Hotel	14.40	14.40	14.30	14.40	steady	\$1	6.94
Trams	21.50	21.50	21.40	21.50	steady	\$1.70	7.91
Star Ferry	136 n	138 s	136	136	steady	\$9	6.62
Yaumati	103 s	103	102 b	103 s	steady	\$7.50	7.28
Light	22.30	22.40	21.90	21.90	—40c	\$1.10	5.02
Electric	29.20	29.20	29	29.20	steady	\$2	6.85
Telephone	24.50	24.70	24.50	24.70	+ 20c	\$1.50	6.07
Cement	33	32.75	32.75	32.75	—25c	\$4	12.21
Dairy Farm	16	16.10	15.90	XD 15	+ 10c	\$1.63	10.87
Watson	11.80 s	11.70 s	11.50	11.70 s	—10c	\$1	8.55
Yangtze	5.85 b	5.90 b	5.85	5.90 b	+ 5c	70c	11.86
Allied Inv.	4.725 n	—	4.725 n	4.725 n	quiet	25c	5.29
HK & FE Inv.	10 b	—	—	10 b	quiet	75c	7.50
Amal. Rubber	1.45	1.475	1.45	1.45	steady	30c	20.69
Textile	4.70 n	4.80 s	4.70 n	4.70 n	steady	50c	10.64
Nanyang	8.15	8.20 s	8.10 b	8.15	steady	80c	9.82

\* Annual Yields are only ESTIMATES calculated with current X-All rates against last year's dividends.



## TRADE REPORTS

Malayan Breweries \$2.90, Malayan Cement \$1.62½ and \$1.62, Malayan Collieries \$1.02 to \$1.04, Metal Box \$1.65, McAlisters \$2.97½, Robinson Ords. \$1.60 and \$1.59, Sime Darby \$2.30 cd., Singapore Cold Storage \$1.62½ to \$1.65 Straits Times \$3.27½ to \$3.30, Straits Traders \$27.00 to \$27.70, Straits Steamship \$17.00 cd. cb. to \$15.60 ex. all, Union Insurance \$500.00, Uniter \$3.85 to \$3.80, Henry Waugh \$1.75, Wearne Bros. \$2.95 to \$2.87½, Austral Amal. 22/3 to 22/7½, Austral Malay 51/- and 51/3, Berjuntai 14/3 and 14/6, Consol. Tin Dredging A.2/10½, Kuala Kampar 39/6 and 39/7½, Larut 7/3 to 7/6, Lower Perak 18/10½ to 18/6, Pungah 9/-, Takuapa 20/- to 21/-, Tongkah Harbour 41/1½ and 14/3, Kamunting Tin 10/7½ to 11/-, Malayan Tin 15/-, Meru 2/1½ Puket 3/4, Renong Tin 10/6, Southern Tronoh 7/8½, Tronoh Mines 12/6, Rubber, Allenby 95 cents to \$1.02, Amal. Malay \$2.23½ ccr. ccl., Ayer Panas \$1.75, Bassett 71 cents to 75 cents cd., Batu Lintang \$2.00, Bentin \$1.03, Jimah \$1.83½ to \$1.90 Kempas \$1.57½ cd., Kluang Ords. \$1.37½ to \$1.70, Langkon N.B. 3/1, Lunas 80 cents, Mentakab \$1.77½, New Serendah \$2.57½, Pajam 97 cents to 98 cents, Riverview 4/- Scottish Malayan 2/2½, Tapah \$3.62½. Overseas Investments British, Burmah Oil 100/- to 103/-, Consol. Zinc 85/-, English Sewing Cotton 28/9, Fye "A" 18/7½, Royal Mail 40/6, Simons 9/- to 9/0½ to 9/0½, St. Helena Gold 25/-, Australian. Argo Investment Rights A.7d., Bank of N.S.W. A.£35 to A.£35.18.0d., Burns Philip A.61/9 to A.26/7, Commonwealth Mining A.12/3, Containers A.24/4, Colonial Sugar Refinery A.£46.10.0d., Foy and Gibson W.A. A.29/7, Mainguard A.2/4, North Kalgurlie 7/6 sterling, Oil Search A.7/4½, Timor Oil Ltd. A.5/- to A.5/1½, New Zealand. Fletcher Holding N.Z. 29/6, N.Z. Forest Products 5/- Prefs. N.Z. 18/6, N.Z. Forest Products Ords. N.Z. 16/2 xd. South African. De Beers Defd. 96/- to 87/4½, O.K. Bazar "B" 50/9 to 49/6, Rhodesian Cement Roan Antelope 12/6.

Imports of foodstuffs from China, staples from SE Asia, cement and textiles from Japan, metals and consumer goods from UK, US and Europe remained substantial last fortnight. There was slight improvement in trade with the Philippines, India, Cambodia, North Vietnam and Burma but prospects uncertain. Exports to Thailand, Indonesia and Malaya were active but purchases by these countries during the period slowed down. Trade with Korea and Taiwan showed no encouraging signs. In the local commodity market, prices for round bars and other steel products levelled off after recent drops; paper transactions were restricted by low stocks and price differences; pharmaceuticals registered more enquiries than orders; chemicals remained quiet; cotton yarn and cloth were firm but spot dealings few; and prices for rice, wheat flour, sugar, cement and other commodities generally steady.

**Trade with China:** Local agents of UK and European manufacturers were enthusiastic about the easing of trade embargo on China. The majority of businessmen here, though pessimistic, were not against the lifting of the embargo. The entire question of trade with China however will be reviewed by an international committee composed of UK, Japan, US and other major trading nations at a meeting in Paris this spring. At the present, UK wants to have China placed on an equal footing with other Communist countries on what goods the West can export to them. US will not ease its own restrictions but would agree to a relaxation of COCOM (Coordinating Committee for Export Control) embargo on China in return for the tightening of embargo against USSR and East European Communist countries.

In the local market, China continued to absorb round bars and other steels when prices here were depressed by large imports. Consignments of foodstuffs from China remained very heavy; there were also beans and other staples but the volume not substantial. Light industrial products reached here included electric fans from Shanghai; retail price for a 16" desk fan—\$115 to \$125 each. Peking also offered "Liberation" trucks to local dealers; it will be on display at the coming export products exhibition in Canton. Local businessmen have also been invited by Canton to participate in China Exporters' Conference to be held there from April 25 to May 8. The conference aims at promoting China's exports.

With Poland, China signed a 310 million rouble trade agreement for 1957 covering imports of complete sets of industrial equipment with blueprints, ships, lathes, digging machines, tractors, chemicals and other equipment and supplies from Poland in

exchange for Chinese iron ore, minerals, non-ferrous metals, raw materials for the chemical and textile industry, silk textiles, tea, tobacco and consumer goods. The agreement signed between China and East Germany for 1957 increased the volume of trade between the two countries covering minerals, non-ferrous metals, foodstuffs, animal products, silk fabrics, tea, handicraft articles and consumer goods from China against industrial equipment, machinery and chemical materials from Germany.

**Trade with Japan:** Japan made no specific representations to US on the easing of controls on China trade. However, Tokyo businessmen is planning a US\$100 million each way trade with Peking this year in anticipation of US relaxation of embargo lists. During 1956, Japan's exports to China totalled US\$67 m and imports amounted to \$83 m. Japan wanted to sell more consumer goods and light machinery to China but Peking asked for heavy equipment banned by COCOM's China list. In SE Asia, Japan's increasing volume of direct trade with Cambodia and other countries is forcing dealers here to curtail purchases from Japan. A 6-member Osaka Trade Promotion Group arrived here last week on a Far East tour to survey the local market for light machinery. They claimed that prospects of increasing trade between Japan and South Vietnam, Cambodia, Laos, and Thailand were "better than ever". Cargo movements between HK and Japan during the fortnight remained heavy; 20 vessels brought here over 7,000 tons of cement, textiles, sewing machine, sea products, machinery, paper, bean oil, chinaware, window glass, fruits, electric appliances, toys, and sundries and in return, local dealers shipped there about 5,000 tons of scrap iron, rattan, beans, woodoil and other staples.

**Trade with UK and Europe:** Cargo movements between HK and Europe (including UK) very heavy; shippers were rushing deliveries before May 1st freight increase. Exports of HK goods and China produce totalled 7,000 tons to UK and 3,000 tons to Europe. Imports were even heavier: 10,000 tons from UK and 20,000 tons from Europe consisting chiefly of metals, textiles of woolen and synthetic fibres, pharmaceuticals, chemicals, dyestuff, dairy products, machinery and equipment, automobiles, wines and provisions. Demand from UK for rubber shoes, cotton textiles remained strong but orders for China produce slow. Switzerland showed keen interest in HK cotton textiles, torch, plastic products and rubber shoes but purchases had not yet reached any impressive volume. Imports of Swiss watches remained substantial; shipments were mostly by air freight.

**Trade with US:** Members of US Trade Mission had long discussions with local businessmen and industrialists on



problems of US-HK trade. A vice-chairman of Manufacturers' Union sought advice from the mission on problems such as how HK products can best be exported to US, how machinery, raw materials and finished products can best be imported from US, how two-way trade can be facilitated within the framework of the governing laws and regulations, and other subjects bearing on industrial technique and trade procedures. Another vice-chairman of the Union stated that US capital was not essential for promoting mutual trade between US and HK but US industrial machinery and equipment and technical knowledge were more important.

In view of the pending increase in freight charges as from May 1, exporters here rushed consignments of rattanware, torch, cotton textiles, plastic products and other HK manufactures to US totalling about 5,000 tons. Imports amounted to 8,000 tons; principal items were blackplate, tobacco, frozen meat, milk products, air conditioning units, toilet articles and provisions. According to a local manufacturer the new cost of shipping HK products to San Francisco will be almost double that for sending similar cargo from Japan to the same market.

**Trade with Indonesia:** Djakarta curtailed imports after its gold and foreign currency reserves fell last week to the lowest point of 16.19% of the currency in circulation. Purchases from here limited to small quantities of paper, metals, window glass and essential supplies; no orders for Japanese products. The volume of these purchases could not possibly be increased before currency reserves in Djakarta improve. However, decline in exports from here to Djakarta will indirectly increase the volume of HK's direct shipments to Indonesian ports outside Java island; these areas will also buy more HK enamelware, textiles, knitwear and other consumer goods from Singapore.

**Trade with Thailand:** Imports from Thailand totalled 5,000 tons; mostly rice. Exports amounted to about 4,000 tons; mostly Chinese light industrial products and foodstuffs. Orders reached here from Bangkok covered only small quantities of paper, bars, and sundries. Bangkok is encouraging Thai businessmen to purchase Chinese light industrial products direct from China.

**Trade with Korea:** Local reaction towards UK's lifting of total ban on exports to North Korea (subject to licensing on the same basis as exports to China) has been quiet; some traders are anxious to know Seoul's attitude towards HK because South Korea prefers not to trade with countries having relations with North Korea; but on the whole businessmen here do not expect any adverse results. At the beginning of this month, Seoul earmarked another US\$8 million from US Aid Funds for essential imports including rayon yarn,

paper, non-ferrous metal, timber, wool-tops, etc. but most purchases would be made from US and other manufacturing countries; enquiries reached here covered only a few items of paper, pharmaceuticals, chemicals, sugar and metals.

**Trade with Taiwan:** Following shipments of grey cloth to the local market, Taipei offered to supply 157,750 yards of linen to HK. Imports during the fortnight totalled 1,500 tons including 800 tons of sugar and 500 live hogs. Exports amounted to 500 tons; metals, chemicals and green peas were principal items. In Taipei, officials discussed with trade missions from Iran and France the improvement of trade with these countries: Iran wanted to sell more oil against imports of more sugar while France offered to buy more tea, citronella oil and other staples provided Taiwan would import more French pharmaceuticals, chemical fertilizers, etc.

**Trade with Malaya:** Exports to Malayan ports (including Singapore) remained heavy and consisted chiefly of HK products (knitwear, textiles, metalware) and foodstuffs of China and local origin. Prospects uncertain in view of the growing volume of direct trade between Singapore and China. On the other hand, the flow of HK products to Indonesian markets outside Java island via Singapore and other Malayan ports might increase. In entrepot business, Singapore is providing keen competition to HK in selling Taiwan sugar to Burma.

**Trade with the Philippines:** Mangoes and groundnut kernel remained major imports from the Philippines under barter transactions. In addition to barter purchases, Manila allocated limited amount of foreign exchange for imports of cotton textiles, metals, knitwear and metalware from here.

**Trade with Cambodia, Laos & Vietnam:** Imports of rice, beans, maize, feather, rice bran, sesame, live cattle and scrap iron totalled 2,000 tons; exports of cement, textiles and foodstuffs also amounted to about 2,000 tons. There were more enquiries than orders from Phnompenh for paper, cloth, pharmaceuticals, cement, sugar and window glass; merchants there considered quotations from HK too high. Laos was interested in wheat flour and galvanized iron sheet but trading again handicapped by low buying offers. Cargo movements between HK and Saigon remained slow; small consignments of red bean, maize, feather, eggs and sea food reached here in exchange for selective items of pharmaceuticals, wines, provisions, and building materials. Barter trade with North Vietnam activated; about 1,500 tons of rice, beans, feather, woodoil and other staples reached here from Haiphong in exchange for gunny bags, iron wire nail, herb medicines, electric appliances, cotton textiles, chemicals, paper and foodstuffs. However, competition from Japan in barter dealings with NV is

growing; Japanese shipping companies routed several vessels to direct sailings between Haiphong and Japanese ports to facilitate Japan/NV trade.

**Trade with India and Pakistan:** Exports to India exceeded 1,000 tons consisting chiefly of Chinese products (paper, window glass, cassia, etc.); HK manufactured torch, metalware and plastic products constituted only a small percentage. About 1,000 tons of cotton, yarn and cloth will be shipped here this week; these were booked by local dealers last month. Authorities there suspended exports of raw cotton as from April 1; deliveries against export licences already approved will not be affected. Trade with Pakistan remained unbalanced with heavy imports of cotton and yarn against insignificant exports of plastic products, torch, cassia and other HK products.

**Trade with Burma:** Exports to Burma showed slight improvement. Orders reached here covered paper, electric appliances, sewing machine, vacuum flask, plastic products, torch, enamelware, aluminumware and cotton textiles. There were enquiries for sugar but dealers here found it difficult to compete with Singapore offers. HK also imported more rice, green pea, beans, maize and other staples from Burma.

**Trade with Ceylon:** Colombo ordered 10 million rupees worth of cement, canned food, potatoes, textiles and building materials from China at prices lower than elsewhere. These purchases help China to reduce her debt of 100 million rupees to Ceylon from the rubber-rice trade. It is evident that there is little hope for HK to compete with China in supplying Ceylon with building materials and other items which Peking is offering.

**Trade with Africa:** Dealers here rushed exports to African markets before May 1st freight increase: 2,500 tons to East Africa, 1,500 tons to S.A. and 2,000 tons to W.A. Demand from E.A. for HK metalware and cotton textiles remained steady; there were more orders from S.A. for consumer items; W.A. however was quiet. Imports came from E.A. and S.A.; principal items were cotton, maize, canned food, tanning extract and cow hide.

**Trade with North Borneo:** One vessel left here for North Borneo with 1,000 tons of cargo; enamelware, wearing apparel, sundries and building materials including cement, window glass and stone nuts were principal items. Imports of timber, firewood and rubber from N.B. totalled 2,000 tons.

**Trade with Okinawa:** Foodstuffs, wearing apparel, provisions and toilet articles remained principal exports to Okinawa. Freight rates for cargo from here to Okinawa will be hiked by 10% beginning April 15.



**Trade with Australia:** About 1,000 tons of HK manufactures (cloth, shirt, underwear, rubber shoes, torch, rattanware, plastic products) were shipped to Australia. One vessel is expected to bring here about 2,000 tons of wheat, dairy products, etc. from Australia this week. Orders reached here last week covered woodoil and seagrass products in addition to HK manufactures.

**Insurance Rates:** Insurance rate for cargo going through the Suez Canal has been increased from 0.05% to 0.30%; rate for shipments around the Cape unchanged at 0.05%.

**China Produce:** Supply of beans, oilseeds and other staples from SE Asia as well as from China improved. Prices for most items were steady. Woodoil firmed on limited supply from China and keen enquiries from Australia, Japan and local paint factories; many transactions concluded in forwards. Sesame eased under heavy arrival but recovered later when low quotations attracted demand from Europe and local buyers. Rosin remained popular with Indonesia, Thailand, Singapore, Europe, Japan and local manufacturers; stock short, forwards concluded. Garlic, too, attracted orders for forwards from Singapore, Indonesia, India and Cambodia. Chilli favoured by Singapore but price failed to improve because buying offers low. Green pea stimulated by speculative buying in addition to absorption by Taiwan, Japan and local factories. Demand from various sources also covered maize, cassia, groundnut kernel, gallnut, aniseed star, aniseed oil, bitter almond, walnut meat, turpentine, beans, menthol crystal, seagrass products, gypsum, alum, graphite and rice bran.

**Metals:** Firm trend at end of March continued; China, Philippines, Thailand, Indonesia, Taiwan and Korea provided steady demand for bars, plates, sheets, pipes, wire rope and wires. Japan sent here enquiries for mild steel bars in addition to orders for scrap iron. Prices however failed to return to previous high levels because buying offers were usually low; more supply arrived from UK, US and Europe; and demand from Japan still uncertain. Dealers did not book any new supply from UK and Europe because stock was heavy and cif quotations might fluctuate on account of possible changes in freight cost. Mild steel bars registered heavy sales to China; enquiries from Japan, Philippines and Thailand encouraged speculative buying especially when dealers liquidated stock at cost in order to finance deliveries of consignments arrived during the fortnight. Scrap iron failed to retain peak prices because buying offers from Japan depressed and counteroffers from Korea also low. China was also interested in steel wire rope, blackplate, tinplate, mild steel plate; Korea in G. I. sheet, blackplate; Thailand in wire rope, nail, blackplate; Indonesia in wires; Laos

in corrugated G. I. sheet; Philippines in mild steel plate and Taiwan in black pipe.

**Paper:** Many transactions fell through because stock of popular items short. Buying offers were low while Scandinavian products further marked up and cost of Japanese, Chinese and other European products remained high. Korea also made more direct purchases from Europe while Cambodia and Philippines approached Japan for supplies. Newsprint in ream very popular with North Vietnam, Cambodia and Thailand; dealers here cut reels into reams to meet the demand. Korea enquired for newsprint in reels but high prices here handicapped transactions. Woodfree printing favoured by Cambodia, Indonesia and Thailand in spite of higher price stimulated by marked up cost; Korea enquired for heavy quality because Seoul had suspended imports of woodfree below 70-lb per ream. Other popular items were art printing, poster, sulphite, kraft, m. g. cap, tissue, manifold, bond, greaseproof, cellophane, glassine, aluminum foil, duplex board, straw board and chip board.

**Pharmaceuticals:** Demand from Korea, China and SE Asia was selective; prices firm on short stock. Dealers here were reluctant to book large replenishments. Popular items included penicillin preparations, dihydrostreptomycin, sulfonamides, saccharum lactose, saccharine crystal, glucose, aspirin, phenacetin, PAS, caffeine alkaloid, amidopyrin and vitamins.

**Industrial Chemicals:** The market remained quiet with more enquiries than orders from Taiwan for sodium nitrate, petrolatum, shellac, formalin, gum copal; from Korea for cresylic acid, shellac, formalin, linseed oil, chrome alum, red phosphorus, ultramarine blue; from China for gum arabic, sodium cyanide; from Indonesia for zinc chloride; and from local factories for sodium hydrosulphite, calcium hypochlorite, caustic soda and glycerine. Prices steady.

**Cotton Yarn & Piece Goods:** Spot market quiet. HK yarn firm on strong local demand and orders from overseas for forwards. Pakistan yarn improved on marked up indents and slightly slower imports. Japanese yarn quiet but firm. HK grey cloth retained strong local demand in addition to exports to UK and SE Asia including the Philippines. HK drill, however, depressed slightly by keen competition from Chinese products which declined under heavy imports. Japanese grey recovered from recent decline on orders from Cambodia and South Vietnam. Japanese white shirting retained very strong demand from local shirt factories. Taiwan grey steady on improved local demand.

**Rice:** Local demand remained normal but heavy arrivals from Thailand

in addition to imports from China, North Vietnam, Cambodia and Burma kept prices at low levels. No sharp drops possible if Thai quotations remain steady.

**Wheat Flour:** Export and local demand slower with the approach of warm weather. HK products steady on high cost of wheat. US firm on short stock and orders from Laos. Canadian brands eased slightly under recent arrivals. Australian flour firm on short stock.

**Sugar:** In spite of continuous arrivals, Taiwan sugar firm on enquiries from Cambodia, North Borneo, Korea, Burma and South Vietnam; speculators also provided stimulation. Philippine brown kept from rising by pending arrivals. HK products marked up.

**Cement:** Chinese products firm at \$119 per ton ex-ship and \$5.80 per 45-kilo bag retail; supply limited while demand from local building contractors strong. Japanese products steady at \$121 per ton ex-ship and \$6 per 100-lb bag retail in spite of new arrivals; supply still below demand. HK Green Island brands, too, firm on strong local and export demand. With local building projects getting more ambitious and numerous demand for cement will remain extensive.

**Hongkong Products:** HK's participation in the Frankfurt International Autumn Fair (Sept. 1-5) this year will be on a larger scale than last year. Products for quality markets will occupy one-third of the pavilion which will have a total display area of 7,200 square feet. Among the exhibits will be gloves, brocade and silk piece goods, garments, footwear, embroideries, ivory and jade carvings, jewellery, torch, vacuum flask, plasticware, camera, leather products, rattanware and other handicrafts.